Maritime Political Risk

Conceptualisation and mapping of maritime political risk in order to improve management and mitigation strategies for the offshore oil and gas industry in the Gulf of Guinea

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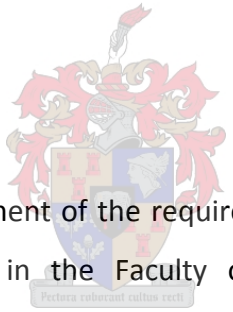

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December 2011

Declaration

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Abstract

Understanding a risk is the first step in managing and mitigating it. Maritime insecurity has been an integrated risk for investors in the Gulf of Guinea for many years. But what do investors know about the nature of maritime insecurity in the Gulf of Guinea, besides a general risk rating?

This thesis conceptualises and maps the maritime political risks in the Gulf of Guinea in order to give investors a better understanding of the nature of maritime political risk for the offshore oil and gas industry in the Gulf of Guinea. This conceptualisation is based on identifying the actors and actions of maritime security, i.e. people create maritime insecurity and identifying the people behind maritime insecurity provides valuable information for management and mitigation strategies. These actors create maritime insecurity by using a variety of actions, i.e. identifying these actions tells the investor more about the nature of maritime insecurity. However, there are also actors that contribute to maritime security and these actors use a set of actions to make maritime security a reality. In summary, this thesis creates a maritime political risk tool where one axis consists of actors contributing positively and/or negatively to maritime security and another axis that consists of actions these actors employ.

This is done by providing the reader with a strong understanding of the theory behind political risk and conceptualising relevant concepts. The thesis contextualises maritime security, the offshore oil and gas industry and general political risks in the Gulf of Guinea. On this foundation, the maritime political risk tool is created by extrapolating information from four political risk companies: Aon, Control Risk, Bergen Risk Solution and Risk Intelligence. The maritime political risk actors and actions are also identified. The maritime political risk tool is applied to the case of the Gulf of Guinea. The conclusion is that conceptualising and mapping maritime political risk can improve management and mitigation strategies.

Opsomming

Die verstaan van ‘n risiko is die eerste stap in die bestuur en beheer daarvan. Maritieme onveiligheid is al vir jare 'n geïntegreerde risiko vir beleggers in die Golf van Guinee, maar wat weet beleggers werklik oor die aard van die gebied van maritieme onveiligheid in die Golf van Guinee, behalwe vir ’n risikogradering?

Hierdie tesis konseptualiseer die maritieme politieke risiko's in die Golf van Guinee om vir beleggers 'n beter begrip van die aard van maritieme politieke risiko's in die aflandige olie- en gasindustrie in die Golf van Guinee te gee. Hierdie konseptualisering is gebaseer op die identifisering van die akteurs en die aksies betrokke by maritieme veiligheid, d.w.s. maritieme onveiligheid word geskep deur mense. Die identifisering van die mense wat maritieme onveiligheid skep, bied waardevolle inligting tot bestuurs- en beheerstrategieë aan. Die akteurs van maritieme onveiligheid skep onsekerheid deur die gebruik van 'n verskeidenheid van aksies, dit wil sê die identifisering van hierdie aksies gee die belegger meer inligting oor die aard van maritieme onveiligheid. Daar is egter ook akteurs wat bydra tot die gebied van maritieme veiligheid. Dié akteurs gebruik 'n reeks van aksies om veiligheid op see 'n werklikheid te maak. Om op te som, skep hierdie tesis 'n maritieme politiese risiko instrument waar die een as uit akteurs bestaan wat 'n positiewe en / of negatiewe bydra tot maritieme veiligheid maak, en die ander as bestaan uit die gebeure wat hierdie akteurs in diens kan neem.

Dit word gedoen deur die leser met 'n sterk begrip van politieke risiko teorie te voorsien, asook om relevante konsepte duidelik te konseptualiseer. Dié tesis kontekstualiseer maritieme veiligheid, die aflandige olie- en gasindustrie en politieke risiko soortgelyk met betrekking tot die Golf van Guinee. Op hierdie fondament word die maritieme politieke risiko instrument geskep deur die ekstrapolering van inligting uit vier politieke risiko maatskappye: Aon, Control Risk, Bergen Risk Solution en Risk Intelligence. Die maritieme politieke risiko akteurs en aksies word ookgeïdentifiseer. Verder word die maritieme politieke risiko-instrument toegepas op die geval van die Golf van Guinee. Die gevolgtrekking wat bereik word, is dat die konseptualisering en die kartering van akteurs en aksies, maritieme politieke risiko, bestuur- en versagtingstrategieë kan verbeter.

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Acronyms

AFRICOM – The United States Africa Command

AIS - Automatic Identification System

BRS – Bergen Risk Solution

ECOWAS - Economic Community of West African States

EEZ – Exclusive Economic Zone

GoG – Gulf of Guinea

ICC – International Chamber of Commerce

IMB – International Maritime Bureau

IMO – International Maritime Organisation

LNG – Liquefied Natural Gas

MEND - Movement for the Emancipation of the Niger Delta

MNOC – Multi National Oil Corporations

MOSOP - Movement for the Survival of the Ogoni People

MOWCA - The Maritime Organisation of West and Central Africa

NDPVF - Niger Delta Peoples' Volunteer Front

NNOC - Nigerian National Oil Corporation

NNPC – Nigerian National Petroleum Company

NOC – National Oil Companies

OPEC - Organization of Petroleum Exporting Countries

UNCLOS - The United Nations Convention on the Law of the Sea

UNDP - United Nations Development Program

US – United States

US Navy – United States Navy

Chapter One: Introduction

1.1 Background

Political risk as a discipline began as a generic way of assessing political risks such as expropriation, war, and nationalisation in the 1970s (Brink, 2004: 3). However, as the field has evolved, it has become more specific, particularly in relation to risk management. This study follows that trend as it makes a maritime political risk tool that conceptualises and maps the maritime political risks for the offshore oil and gas industry in the Gulf of Guinea[1] (GoG). The aim is to make a maritime political risk tool that investors and decision-makers can build their management and mitigation strategies on.

Political risk analysis as a discipline has developed numerous sub-fields since it was formalised around 40 years ago. This was a natural development as the strengths and weaknesses of political risk, both as a field of study and as a practical decision-making tool, was explored and refined. Robock arguably made the most important distinction within political risk when he distinguished between micro and macro political risk (1971: 9). He states that macro risks are generic and affect everyone, whereas micro risks are specific and only influence some businesses. Alon et al points out that most studies focus on macro political risk and that micro political risk is under-researched (2006: 626). It should be noted that macro political risk research dominates political risk theory. However, political risk is a practical field and political risk companies[2] are increasingly moving towards specialisation in micro risk analysis.

This industry specific political risk analysis explores the research gap between micro risks and firms by focusing on the offshore oil and gas industry in the GoG. A further specification is made in focusing on *maritime* political risks. Another difference between this political risk analysis and many others is that this political risk analysis seeks to conceptualise and map the maritime political risks rather than rate them.

Political risk is a rational way of analysing future scenarios, be it on a micro or macro level. The relationship between economics and politics is explored to better

[1] Nigeria, Cameroon, Gabon, Ghana, Benin, Togo, Equatorial Guinea, Sao Tome and Principe, Liberia and Cote D'Ivoire (Britannica, 2011).
[2] These include companies such as Aon, Bergen Risk Solution, Control Risk and Risk Intelligence.

understand the political risks businesses are presently facing and risks they may face in future. The aim of political risk is to present the relationship between economics and politics from an objective point of view in order to make rational decisions.

The primary purpose of political risk analysis is to forecast and identify potential events that can lead to future losses (Howell and Chaddick, 1994: 72). The subsequent purpose of political risk, as a discipline, is to define strategies to manage and mitigate the various risks identified. A successful political risk analysis offers an objective risk forecast with mitigation strategies for a specific investor or client. It can therefore be argued that political risk is a field where different questions need to be asked, with answers dependent on the context of the investment. A political risk forecast and the subsequent management and mitigation strategies depend on the situation of the client, the host and home states, and other relevant factors to the specific political risk analysis.

States in the GoG, most notably Nigeria, are experiencing an increasing level of maritime insecurity (Nodland, 2010: 191). This insecurity directly affects the offshore oil and gas industry in the region. Furthermore, some scholars argue that the present insecurity, onshore and offshore, is a direct consequence of the previous mismanagement of oil and gas production in the region (Nodland, 2010: 193; McGinley, 2009: 109). The region is being explored for oil and gas and new production fields are being opened in Ghana, Ivory Coast, Liberia, Sao Tome and Principe, Cameroon, Gabon, Nigeria, Togo, Benin and Equatorial Guinea – basically in every state in the GoG (BP, 2010: 8; Watts, 2011). If a causal relationship exists between oil and gas production, bad governance, and insecurity, it may mean that security, for government, for foreign investors and for the local population, will deteriorate. Whether this is a real or perceived threat can only be determined after the relationship between politics and economics is closely evaluated. The rationale behind this thesis is that investors need to identify, forecast, manage and mitigate the maritime political risks in this region as the oil and gas industry grows. These risks include piracy, corruption, theft, oil bunkering and other forms of illegal and informal activity, i.e. maritime political risk includes formal as well as informal risks that relate to the offshore oil and gas industry. The rationale behind constructing a maritime political risk tool rather than a maritime political risk index is to conceptualise and map the maritime political risks in a way that naturally ends in management and

mitigation strategies. The aim is not to rate the level of maritime political risk but to create a maritime political risk tool that management and mitigation strategies can be formulated from.

Most of the oil and gas production in the GoG comes from Nigeria (BP, 2010). Onshore oil production began in 1956 and was followed in 1964 by offshore production (Frynas, 2003: 548). Thus, the oil and gas industry has been operating in the GoG for more than half a century, yet most of the activity has been in Nigeria and it is only in recent years that there has been massive investment in exploration throughout the region (Wallace, 2004). This exploration has mainly been on offshore blocks. Today, oil and gas production occurs in Nigeria, Equatorial Guinea, Ghana, Ivory Coast, Cameroon and Gabon (BP, 2010). Furthermore, there is significant oil and gas production in neighbouring states like Chad, Angola and the Democratic Republic of Congo, and exploration offshore in the remaining states in the region (BP, 2010). It is estimated that production in the GoG will grow by at least 40 percent between 2010 and 2020, making it one of the biggest oil producing regions in the world (Frizzell, 2007: 2).

The states in the GoG are well-known for their political instability (Gilpin, 2007: 2). Until recently this has not affected the offshore oil and gas industry in the same way it has affected the onshore oil and gas production. The Nigerian Civil War[3] reduced the onshore production to about a third of the pre-war capacity, whereas the offshore production was not affected (Frynas, 2003: 548). This is still the case years after oil bunkering, kidnapping, sabotage and armed attacks have become a daily part of onshore oil and gas production (Nodland, 2010: 193). This indicates that within the political region, potential political risks affect the same industry differently depending on the state; one cannot only look at state politics but also geography, (un)popularity within a particular region in the state, local politics and the capacity that groups have to successfully attack different locations within the state.

The situation of insecurity, both offshore and onshore, has changed over the last decade in the Niger Delta. There are almost daily attacks on the offshore oil and gas installations by political activists, criminal thugs, and community activists (Nodland, 2010: 191). The various groups operating in the region have become more organised

[3] 1967-1970

as the Nigerian state increases its land-based security. With operations on land more dangerous, the groups have moved offshore where the Nigerian navy has a limited presence, limiting its influence (Nodland, 2010: 200). In 2007, the International Maritime Bureau (IMB) reported 42 attacks on international shipping and offshore installations in Nigeria alone and Bergen Risk Solution (BRS) reported 98 foreign rig workers and sailors kidnapped at sea off the coast of Nigeria between 2006 and 2007 (Nodland, 2010: 191). The situation has not improved and maritime insecurity is an increasing risk factor for the offshore oil and gas industry.

1.2 Problem Statement

Maritime[4] security and offshore[5] activities go hand in hand. Man first ventured to sea for fishing and transportation purposes, and that was followed by piracy and theft (McNicholas, 2008: 1; Elleman, Forbes and Rosenberg, 2010: 2). States have always struggled to control their maritime space the way they control their land. This has led to maritime space being recognised as a place where opportunistic actors, i.e. criminals, can thrive. The link between maritime security and political risk[6] is neither new nor unexplored, but the political risks related to it can be understood, managed, and mitigated more efficiently to avoid losses. This thesis identifies maritime political risks by analysing the maritime security situation in the GoG. A maritime political risk tool is consequently constructed. The rationale of the maritime political risk tool is to conceptualise and map the identified maritime political risks to present well-documented maps that make management and mitigation increasingly successful. The maps will also be useful for new investors to discern where maritime political risks are less prevalent in the region. The maritime political risk tool is made for risk assessment within the offshore oil and gas industry in the GoG.

The first challenge for this study is to identify the relevant maritime political risks for the offshore oil and gas industry in the GoG. The rationale in choosing the GoG as a case study is because it has a long offshore oil and gas history, and context were maritime insecurity is a real security issue. The GoG is therefore a region with well-documented sources on the topic and adequate relevant data.

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[4] Maritime: *connected with the sea, especially in relation to seaborne trade or naval matters* (Oxford, 2011).
[5] Offshore: *situated at sea some distance from the shore* (Oxford, 2011).
[6] Political risk: *the probability that a particular political action will produce changes in economic outcome* (Bremmer and Keat, 2010: 5).

1.3 Aims and Objectives

This study aims to conceptualise and map the maritime political risks for clients operating in the oil and gas industry in the GoG. It is divided into five chapters. The first chapter presents political risk theory, and conceptualises and contextualises the thesis. The second chapter conceptualises and contextualises relevant concepts, before a maritime political risk tool is constructed in Chapter Three. The maritime political risk tool is applied to the GoG in Chapter Four before the thesis is concluded in Chapter Five.

The focus is designing the maritime political risk tool. The validity of the subsequent maritime political risk report depends on the validity of the maritime political risk tool. The indicators used in the maritime political risk tool need to represent the potential maritime political risks and thus make a strong foundation for maritime political risk forecast, management and mitigation. The risk indicators in the maritime political risk tool are identified by an extensive literature review of the GoG and by looking at available data from risk companies.

The objective is to assist current and potential clients in the offshore oil and gas industry in creating management and mitigation strategies to address maritime political risks. Making a maritime political risk tool that improves management and mitigation strategies will help investors to avoid losses in the form of money, equipment, human security or other possible losses.

Recent incidents of armed robberies and attacks in Cameroon, Benin and Equatorial Guinea, committed by groups from Nigeria, indicate that insecurity in one state, namely Nigeria, affects the maritime security of its neighbouring states (Gilpin, 2007: 11; Reuters, 2011). Another aspect is that the three ports with the most incidents in 2010 are located in three different states in the region (ICC, 2011: 9). This is why a regional approach rather than a single-state approach is used. It is clear that the level of maritime insecurity and maritime risks varies throughout the region as well as within a state. However, maritime insecurity may derive from one state, but it affects the region as a whole. A regional approach to maritime political risk is necessary to incorporate the insecurity from a small area into a regional maritime political risk report. Another advantage of this is that a regional approach to manage and mitigate maritime insecurity is necessary to achieve a secure maritime environment. Looking

at maritime security by only focusing on a single state is insufficient because it excludes regional and international actors, on private and public levels, and on formal, informal, legal and illegal levels. Multilateral security projects and institutions in the GoG are the United States Africa Command (AFRICOM), the Maritime Organisation of West and Central Africa (MOWCA[7]) and the Economic Community of West African States (ECOWAS) (Sieber, 2007: 18). The European Union (EU) also assists the region in enhancing its maritime security through bilateral agreements (Afrique en ligne, 2011a). Other informal and illegal international and regional actors operate through oil bunkering, smuggling, trafficking, arms trade, piracy and armed robbery. None of the actors contributing to maritime insecurity respect borders at sea, and efficient strategies to combat them necessitates a regional approach. An investor has to monitor and follow the maritime security situation in areas at a distance from its investment because of possible spill over effects.

1.4 Research Question

The main research question guiding this study is: *Can conceptualising and mapping the maritime political risk for the offshore oil and gas industry improve management and mitigation strategies?* This main research question is complimented by two sub-research questions that assist in answering the main research question:

- Looking at information from four risk companies in addition to journal articles, newspapers and books: *Who are the relevant actors in maritime political risk in the GoG?* This question defines the main maritime political risk actors in the region.
- Looking at information from four risk companies in addition to journal articles, newspapers and books: *What actions do the identified actors use that have an impact on maritime political risk in the GoG?* This question defines the main maritime political risk actions in the region.

1.5 Literature Review

This study consults a wide range of literature from different fields and backgrounds.

[7] Established in 1975 but has only been operation on paper the last few years. It can prove to be a very valuable asset in promoting regional maritime security in West and Central Africa (Kraska and Wilson, 2009).

The theoretical framework of political risk analysis is constructed using Brink's book '*Measuring Political Risk: Risk to Foreign Investment'* (2004). Bremmer and Keat (2010), Hough, Du Plessis and Kruys (2008), Valsamakis, Vivian and Du Toit (1999) and Vertzberger (1998) are referred to for clarity. Furthermore, in the conceptualisation of political risk and political risk analysis, scholars like Alon and Martin (1998), Baker and Hashmi (1988), Bremmer and Keat (2010), Fitzpatrick (1983), Hough (2008), Howell and Chaddick (1994), Robock (1971), Simon (1984), Valsamakis, Vivian and Du Toit (1999) and Vertzberger (1998) are consulted. Other scholars referred to in industry specific risk, political insecurity and country risk, include Frynas (1998), Frynas and Mellahi (2003), Howard (1983), Kobrin (1978) and Sichei (2008).

Grant and Söderbaum's (2003) book '*The New Regionalism in Africa*' is used in explaining regionalism. Frynas (1998), Hough (2008) and Varyrynen (1995) are used to supplement Grant and Söderbaum.

Scholars such as Asuni (2009), Campbell (2009), Chalk (2011), Delano (2009), Elleman, Forbes and Rosenberg (2010), Frizzell (2007), Frynas and Mellahi (2003), Gary and Karl (2003), Leech (2006), Marlow (2010), McNicholas (2008), Murphy (2007), Nincic (2009), Omeje (2006; 2008), Pham (2007), Potgieter and Pommerin (2009), Thai (2009), US Navy (2007), Vogel (2009; 2011), Wallace and Martin-Ortega (2009) and Watts (2006; 2008) are drawn upon to explain maritime security and the GoG.

Published information from BRS, the International Chamber of Commerce (ICC), One Earth Future, the Nigerian Ministry of Petroleum Resources, Transparency International, and the United Nations Development Programme (UNDP) are used with articles from various newspapers to substantiate the above-mentioned articles.

Information from Aon, BRS, Control Risk and Risk Intelligence is used to identify specific industry political risk variables.

The information obtained through books, articles and journals is generally older; however, data from international organisations and newspapers is used to gather data from more current incidents.

1.6 Research Design and Research Methodology

This study employs a qualitative research method. The advantage is that it includes *soft* data based on social science knowledge and makes it possible to use socio-political variables (Brink, 2004: 3). Brink points to the importance of *soft* data since 'risk models should be adaptable and flexible so that they can be reconstructed to suit industry and investor specific micro circumstances' (Brink, 2004: 3). This is suitable for this maritime political risk tool in the way that it seeks to conceptualise and map the maritime political risk rather than rating measurable variables.

This study uses an inductive approach; the theoretical framework is not decided until the context and case is fully understood. Conclusions are drawn after the theory is applied to the case study and can be used to improve the theory and its practical application. Theory is used at a meso level as it tries to be specific and individual, but generalisations are necessary in order to use it on a regional level.

The research is descriptive[8] and analytical as it seeks to describe, identify and forecast maritime political risks in the GoG in order to manage and mitigate them.

Predominantly secondary sources are used to identify maritime political risks in the GoG. The maritime political risk tool is built on available information from risk companies that specialise in maritime security. Companies like Aon, BRS, Control Risk and Risk Intelligence are used extensively. This information is supplemented with journal articles, books, government information, reports from international organisations and newspaper articles.

1.7 Limitations and Delimitations

The lack of primary sources is regarded as a limitation in this study. However, to do original, in-depth research in a region with a high level of insecurity regarding illegal agents or highly protected industries is time consuming, dangerous and costly. Moreover, there is an abundance of secondary information available from a variety of sources. The true challenge is to distinguish reliable secondary sources from unreliable secondary sources. This problem is addressed by cross-checking secondary sources with each other. Another approach is to value secondary sources different

[8] Descriptive research presents a picture of the specific details of a situation, social setting, or relationship (Neuman, 2006: 35).

according to the credibility of the publisher, i.e. not much reliance is placed on bloggers, but information from acknowledged international organisations, governments, renowned newspapers and journal articles is trusted to a greater degree. Bloggers and other unreliable secondary sources can be valuable since they draw attention to a controversial topic or have access to new information that reliable sources may not yet have published. This problem does not affect the theoretical aspect since existing theories on political risk are used to design a strong theoretical framework.

Only data available before August 2011 is included in this study. This is due to the ever-evolving situation in the GoG. It also demarcates the research. Qualitative research is inductive in nature and is consequently more open to new data since it does not operate with fixed variables (Neuman, 2006: 157). The conclusion of this research is thus based on the specific situation and the qualitative data rather than on statistics and fixed variables.

A clear challenge is obtaining publications and research from risk companies. These companies earn money by selling their knowledge, and as a result they are reluctant to publically publish such information. However, some risk companies publish aspects of and short summaries of their areas of studies. These publications and available data on their website is enough to identify the maritime political risks they are paying extra attention to. The supplementary literature comes from newspapers, books, reports, and journal articles.

1.8 Outline

The first chapter provides a general overview and presentation of the thesis. It introduces the problem statement, research design, method and the limitations and delimitations of the thesis.

Chapter Two has two aims. The first is to present the theoretical framework, an extensive literature review and the conceptualisation and operationalisation of key concepts such as risk, political risk, industry specific political risk, country risk, political instability and political uncertainty, maritime security, regionalism, piracy, armed robbery, oil bunkering, offshore oil and gas activities, and the Gulf of Guinea. The second aim is to contextualise the above-mentioned concepts. The

contextualisation is primarily global, but it concludes with a focus on the context of the GoG. Chapter two gives the reader a clear theoretical, conceptual and contextual understanding of the thesis topic.

The third chapter identifies the industry specific risk indicators and formulates the maritime political risk tool used in Chapter Four. These industry specific risk indicators are identified by analysing available data from Aon, BRS, Control Risk, and Risk Intelligence. The information derived from this analysis is used with the second section of Chapter Two to formulate the maritime political risk indicators and to create the maritime political risk tool.

The fourth chapter uses the maritime political risk tool to conceptualise and map the maritime political risks for the offshore oil and gas industry in the GoG. Due to space constraints, only two maritime political risk actors and two maritime political risk actions are used to test the maritime political risk tool. The second part of this chapter discusses the findings with the overlying notion of risk management and risk mitigation. The thesis would naturally progress to recommendations for risk management and risk mitigation strategies; however, this is not possible due to space constraints. Instead the maritime political risk tool is evaluated, its strengths are highlighted and recommendations are given to improve its weaknesses.

In the final chapter, the findings of the previous chapters are presented: this is drawn together while the thesis is evaluated.

1.9 Conclusion

This chapter introduced the topic, theory, history and rationale behind this thesis. Political risk is a key aspect in the decision-making process of transnational companies. However, political risk is an imperfect science and the challenge is to continuously improve the theory and the practical application thereof. Foreign investors face potential losses due to a diverse range of political risks. This is not avoidable, however, with proper research, understanding, management and mitigation those risks can be minimised, often avoided or even turned into a profit.

Chapter Two: Conceptualisation and Contextualisation

2.1. Introduction

The relationship between politics and economics is an ancient topic of study (Hough, Du Plessis, Kruys, 2008: 6; Brink, 2004: 4). In 1776, Adam Smith published his infamous book *The Wealth of Nations* (Howard, 1983: 3). It can be argued that no other book in the last 235 years has been more influential in the relationship between politics and economics. Smith acknowledges that politics and economics are inseparable, but he also believed that 'a natural economic order with laws of its own, independent of politics and functioning to the greatest profit of all concerned when political authority interfered least in its automatic operation' (in Carr, 1964: 114). This conclusion has made politicians and economists believe that politics and economics are most efficient when they operate without the others' influence and interference. This view dominated the eighteenth-century laissez-faire capitalism, the nineteenth-century liberalism, and the twentieth-century neo-liberalism (Howard, 1983: 3). However, in the late nineteenth-century and throughout the twentieth-century, a political – economic war of ideas[9] was and still is being fought between those that believe politics and economics should be separated, and those that believe they are inseparable. Political risk is based on the fundamental assumption that politics and economics are inseparable.

This change in political ideology in relation to political economy has created more political risks because of increased state interference in the market. It started around the Russian revolution in 1917 but political risk slowly became more prominent on the decision-making agenda of foreign investors in the 1950s and 1960s (Howard, 1983: 4; Hough, Du Plessis, Kruys, 2008: 6). Hough, Du Plessis and Kruys argue that political risk reached its apex in the 1980s and that its relevance and importance declined until 2001 (2008: 6). After 2001 political risk regained much of its relevance due to 'increased uncertainty and the salience of non-traditional business, societal risks such as terrorism, corruption, climate change and global warming during the early 21st century' (Hough, Du Plessis, Kruys, 2008: 6).

[9] Marxism, Capitalism, Socialism etc.

Much of the growing demand for political risk analysis is in the security field (Hough, 2008: 6). This growing demand is a result of a broadening and deepening of (human) security thinking. This broadening of (human) security thinking has been integrated into risk analysis and the consequence is a wider range of risks. Foreign investors are, to a certain degree, including political risk in their decision-making process; however, their understanding of political risk often excludes the recent broader understanding of political risk.

The aim of this chapter is firstly to offer the reader a clear and concise understanding of what industry specific political risk is. This chapter begins by conceptualising problem solving theory and decision-making theory to give the reader a theoretical foundation. This is followed by conceptualising risk, political risk, industry specific risk, political instability, political uncertainty, and country risk. The final concepts to be conceptualised are regionalism, maritime security, piracy, armed robbery, theft, maritime terrorism, oil bunkering, sabotage, kidnapping, and the offshore oil and gas industry. These last concepts are included because they are important for understanding maritime security and the offshore oil and gas industry.

The second part of this chapter contextualises the above-mentioned concepts. The focus is on creating a causal relationship between the concepts and to link the concepts to the offshore oil and gas industry in the GoG.

2.2. A Theoretical Grounding: Problem Solving Theory

The aim of political risk is to identify present and future events that can possibly result in losses, be it money, material, human capital, public opinion or contracts. Political risk looks at the world as it is and aims at solving particular problems. The theory of political risk is therefore based on problem solving theory (Brink, 2004: 3). Brink highlights that ‘a political risk analysis, once conducted, draws the decision maker’s attention to the various problems that political risks might pose to the profitability of the investment’ (2004: 30). A political risk analysis is one of several processes a decision maker goes through in order to make a decision based on sound research and knowledge. In a decision-making process, rational agents tend to be risk averse with the aim of minimising uncertainty by using expert knowledge (Brink, 2004: 30). Political risk is therefore closely linked to problem solving theory and decision-making theory.

The aims of a political risk analysis are to identify possible risks and to manage and mitigate the identified risk. The problem in mind is the possibility that an investment will not be as profitable as intended.

The next paragraphs conceptualises risk and political risk in order to demonstrate how a political risk analysis can improve the decision-making process of investors.

2.3. Conceptual Clarification

Terms like *risk* and *political risk* have been used without being fully defined or conceptualised thus far: this section concludes with a definition of the terms used in this thesis. However, *risk* and *political risk* are contested terms and no single generic definition exists. This section therefore offers an introduction to this discussion before it concludes with a *political risk* definition this thesis works from.

2.3.1. Risk

Vertzberger begins his conceptualisation of risk by disaggregating risk into three categories: *real*, *perceived,* and *acceptable* risk (1998: 18). *Real* risk is a factual risk that derives from a situation or behaviour. *Perceived* risk is imagined and often socially constructed by inadequate or inaccurate knowledge. *Acceptable* risk is the risks decision-makers are willing to bear in pursuit of their aim.

Risk, uncertainty and threat are often used interchangeably. These concepts do have a lot in common, but there are differences that are made clear in the paragraphs to follow.

Valsamakis, Vivian and Du Toit define risk as 'the variation of the actual outcome from the expected outcome. Risk therefore implies the presence of uncertainty' (1999: 33). Uncertainty, in this context, means that there is doubt concerning the outcome of a situation. Risks in business and foreign investments are related to change in the expected outcome. Valsamakis, Vivian and Du Toit further explain that modern day understanding of risk is the *absence of certainty*, and certainty represents a situation with only one possible outcome (1999: 32). This definition makes almost everything a risk because there are few events or situations with only one possible outcome. However, the absence of one certain outcome does not mean that all possible outcomes are equally probable; neither does it mean that the more probable outcomes cannot be forecast.

In economics the distinction between risk and uncertainty is that risk exists when 'decision-makers have perfect knowledge of all possible outcomes associated with an event and the probability distribution of their occurrence, whereas uncertainty exists when a decision-maker has neither the knowledge of nor the probability distribution of the outcome' (Vertzberger, 1998: 19-20). This distinction, however, does not work well in practise. The level of risk can be decided by assessing the possible consequences of a situation or event. It is possible to assess the probability of a positive or negative outcome of a risk, whereas for uncertainty this is not possible due to a lack of knowledge. Furthermore, a risky situation includes uncertainty, but an uncertain situation does not need to be risky (Vertzberger, 1998: 20).

A change in outcome or uncertainty is not necessarily a negative thing. Changes in the outcome can either be for the better or for the worse. Hough argues that risk should be used 'with regard to situations where the probabilities of outcomes are uncertain, and where at least some of the outcomes are unknown and will have negative consequences' (2008: 3-4). There needs to be some threat or a high possibility for a negative outcome for a situation to be considered risky. This fits well with the daily normative use of risk in contexts that are likely to have a negative outcome. Another distinction is that a threat is imminent and requires urgent management. A risk does not need to be an imminent event or situation; it is the knowledge that a threat can occur in future (Hough, Du Plessis, Kruys, 2008: 11).

It is also important to look at the texture and context of risk. The texture of risk refers to transparency, clarity, understanding, severity, certainty, and its closeness in time, complexity, measurability, variability, multiplicity, reversibility, controllability, containability, accountability and who will be held responsible for the risk (Hough, Du Plessis, Kruys, 2008: 12). Different decision-makers favour different risks and this is referred to as 'the taste of risk'.

The context of risk is determined by the 'vividness and salience of risk, prior planning, and existing commitments' (Hough, Du Plessis, Kruys, 2008: 12). Vividness and salience are related to the inherent nature of the risk and the context of the situation involving a risk. Prior planning accounts for the fact that risky policies are pre-planned, and that this planning has to include possible risks and strategies to

manage these risks. Existing commitments focuses on who is held responsible for the risk and whether the risk involves core values, interests and objectives.

Bremmer and Keat define risk as 'the probability that any event will turn into a measurable loss' (2010: 4). This definition includes uncertainty and the threat of a negative outcome. Bremmer and Keat's (2010) definition of risk is composed of two factors: *probability* and *impact*. This is the difference between uncertainty and risk. It is, to a certain degree, possible to forecast the probability and impact of a specific event. When forecasting is successful and potential risks are managed it is very likely that losses are avoided, or that the potential loss has been turned into profit.

2.3.2. Political Risk and Political Risk Analysis

There are several concepts that are often used interchangeably with political risk. This section defines political risk, and clarifies the difference between political risk, political instability and country risk.

It is argued that political risk featured as early as in the Old Testament of the Christian Bible. The story where Pharaoh orders Joseph to store grain in case of a famine is an example of political risk management (Valsamakis, Vivian, Du Toit, 1999: 4). This political interference in the economic sphere was a risk for the grain merchants whose business became strictly regulated. However, it was only in the Cold War era where political risk became an area of study and a thriving business concept in itself (Simon, 1984: 123).

Political risk started out by focusing on governmental actions that had direct negative implications for investors and businesses. Alon and Martin identify three problems mentioned in the previous definitions (1998: 10). The first problem is narrowing the scope of political risk that leads to unsuitable conceptualisation, poor data selection, the improper use of analytical tools, and misinterpretation of the result. The second problem is that they assumed that political risk only influenced a firm negatively. However, various scholars have challenged these assumptions and an example of a positive consequence of political risk for businesses and investors is the transition of former communist states into market economies (Alon and Martin, 1998: 11). The third problem is that political risk does not merely stem from government action and political events. The political risk analysis should not be limited to only include events and actions that derive directly from government since political risk can

indirectly originate from internal, external, social or governmental sources (Alon and Martin, 1998: 11). Fitzpatrick further advises that political risk should be viewed as a process under continuous change (1983: 253).

Bremmer and Keat define political risk as the 'probability that a particular political action will produce changes with an economic outcome' (2010: 5). This definition is built on two factors: *probability* and *impact*. However, not all scholars believe that political risk can be defined as generically. Howell and Chaddick define political risk as 'the possibility that political decisions, events, or conditions in a country, including those that might be referred to as social, affects the business environment such that investors will lose money or have a reduced profit margin' (1994: 71). This definition is more specific when it includes social factors and refers to investors rather than businesses. Brink defines political risk as:

> 'the analysis of the probability that factors caused or influenced by the (in) action or reaction of stakeholders within a political system to events outside or within a country, will affect investment and business climate in such a way that investors will lose money or not make as much money as they expected when the initial decision to invest was made' (2004: 1).

The rationale behind defining political risk is to delineate a concept for a political risk analysis. To make a political risk analysis, it is important to operate with clearly defined concepts that are suitable for use in practise, and not only for a theoretical paper. A political risk analysis seeks to assess the probability and impact of potential political risk before an investment is made. Brink argues that the aim of political risk analysis and management is to 'balance user subjectivity with a model that can reflect researched information in order to attempt a more objective probable estimate of risk' (2004: 2). After an investment is made and the business is operating, a political risk analyst continuously updates the analysis so that the investor can identify potential risks before they influence the investment.

Operating and investing in a high political risk area can be very costly, especially if management has not included political risk in their decision-making process (Baker and Hashmi, 1988: 40). A state can change policies and legislation in minor ways, which may negatively affect the investor. Political risk makes it easier for investors to forecast a return on investment by including probable political changes in the future.

Bremmer and Keat's definition of political risk is used throughout this thesis. However, six specifications are made to clarify certain aspects. Bremmer and Keat's definition for political risk is:

> 'the probability that a particular political action will produce changes in economic outcome' (2010: 5).

The first specification concerns the concepts of *real, perceived,* and *acceptable* risk (Vertzberger, 1998). A political risk analysis that is useful for an investor identifies the *real* risks and separates them from the *perceived* risks. It is then possible for the decision-maker to decide if the identified risks are *acceptable* risks.

The second specification is about probability and impact. After a *real* risk is identified, the probability of the risk and the impact it will have on the investment should be determined. The rationale is that a successfully identified risk can be managed and mitigated.

The third specification is that a political risk can turn into a profitable situation. This is true for the most part; when a political risk or uncertainty is identified the investor can start risk management. Risk management is not only about avoiding the risk, but also about reducing, sharing, and sometimes containing the risk (Hough, 2008: 1). Brink argues that 'if uncertainties are managed accordingly the possibility of being able to exploit them becomes a reality' (2004: 21).

The fourth specification is that political risks are sometimes part of a chain reaction where the investor could not anticipate being affected. An example of this is the Nobel Peace Prize in 2010. The Nobel Institute is an NGO and it awarded the Nobel Peace Prize to an individual who the Chinese government sees as dissident. The Chinese government reacted by stopping or hindering all Norwegian imports and exports to China, and by cancelling all planned meetings with Norwegian ministers and businesses with Chinese officials (Aftenposten, 2010; Wergeland, 2010).

The fifth specification is that political risks can be macro or micro risks (Robock, 1971: 9; Brink, 2004: 20). Macro political risks are generic risks that affect all investors and businesses within a given region. Causes of macro political risks can, for example, be policy changes or war. Micro political risks are specific risks that only affect a few investors. Micro political risks are more prevalent than macro

political risks (Robock, 1971: 10). Micro political risk is also referred to as industry specific political risk and is elaborated further in section 2.3.2.1.

The sixth specification concerns the terms *prediction* and *forecasting*. The concept prediction should be avoided in political risk since it is a guess rather than based on sound research. Forecast, on the other hand, is an *estimate* of the future. The *estimate* is presented as 'a *probability* that a certain country *might* pose a *certain* degree of political risk to a foreign investor' (Brink 2004: 27). Forecasts are based on research and they estimate the probability of political risk occurring in the future.

A political risk analysis can be done in several ways. The traditional approach is to identify measurable risk variables and rate them. The rating can be either qualitative[10] or quantitative[11]. Another way to conduct a political risk analysis is to focus on conceptualising and mapping the risks of interests. There is no right or wrong way to conduct a political risk analysis, but different approaches have their strengths and weaknesses depending on the data, the factors and variables used, how measurable the indicators are, and the rationale behind the political risk analysis.

2.3.2.1. Industry Specific Political Risk

As previously discussed, 'macro risks are environmental events, which affect all foreign firms in a country without regard to organisational characteristics, and micro risks…are industry, firm, and even project-specific' (Kobrin cited in Alon et al, 2006: 626). Macro political risk assessment has been well studied in the past and considerable literature is available. Micro political risk assessment, on the other hand, has received little academic attention, and as a result, there is limited literature available (Alon et al, 2006: 626). The focus has mainly been on the national business environment and the investor or business is considered passive bystanders. Frynas and Mellahi challenged this notion by arguing that 'transnational corporations (TNCs) can be active actors capable of acquiring and upgrading firm-specific resources and capabilities for coping with or even benefitting from political risk' (2003: 541).

[10] A qualitative rating has a few variables and focuses on a qualitative explanation for the rating. A typical rating is low risk, medium risk, and high risk.
[11] A quantitative rating uses variables that can be used in mathematic formulae. A typical rating includes percentage or a rating on a scale of one to a hundred.

Recent research indicates that political risks affect investors differently, even within the same industry (Alon et al, 2006: 623; Frynas and Mellahi, 2003: 541; Frynas, 1998: 457; Baker and Hashmi, 1988: 43). The above-mentioned articles conclude that businesses and investors that conduct a thorough firm-specific political risk assessment are likely to turn political risks into profit. The two main reasons for this are, firstly that it gives them a comparable advantage, and secondly that they manage and mitigate many of the political risks in a manner that reduces their losses or eliminates loss.

Micro political risks are more common than macro political risk (Howard, 1983: 10). The likelihood for expropriation or war is marginal in most states. However, for example, minor policy changes happen often in every state. These changes only affect a selected field of foreign investments or businesses with a specific characteristic (Kobrin, 1979: 68). Intimate knowledge and understanding of the home and host state, and the specific industry, is quintessential for an industry-specific political risk analyst to understand the present and future dynamics, dependency and profits of the various actors.

2.3.2.2. Political Risk, Political Instability, and Political Uncertainty

Political risk, political instability and political uncertainty are often considered to have the same significance. The three concepts are related, but it is misleading to use them in the same way (Kobrin, 1978: 114; Robock, 1971: 8).

Political uncertainty is when there is inadequate or subjective information about a political situation. Bremmer and Keat argue that 'unlike risk (which is probability times impact), uncertainty implies an inability to determine the probability or the impact (or both) of a certain future event' (2010: 16). A good example of this can be the question of leadership succession in North Korea. A widely discussed topic is who will be the next Supreme Leader after Kim Jung-il (BBC, 2011). However, little information is available and much of the available information is subjective, i.e. there is great political uncertainty surrounding leadership succession in North Korea. It is therefore difficult for outsiders to know if the political situation in North Korea is stable or unstable due to the uncertain situation. Political risk, on the other hand, is a more 'objective measurement of the *amount* of doubt, in contrast to the more subjective nature of instability and uncertainty' (Brink, 2004: 19). Kobrin best

explains the difference between political risk and political instability by noting that 'political instability is clearly a property of the environment, while risk is the property of firm' (1978: 114). What makes a state politically unstable is when changes such as leadership succession, government policy, or government's implementation of power happens unexpectedly (Brink, 2004: 19). However, such changes do not necessarily pose a political risk to an investment or business.

2.3.2.3. Country Risk and Country Risk Analysis

Political risk and country risk are related concepts that are often used interchangeably, but that have different meanings (Hough, Du Plessis and Kruys, 2008: 17). Defining country risk is challenging considering that scholars are still discussing and developing a commonly acceptable definition. Political risk is concerned with risks related to a political event or situation, whereas country risk includes economic, social and financial considerations in a specific environment (Hough, 2008: 6). Country risk is therefore considered to have a broader meaning than political risk.

Sichei argues that the 'primary function of country risk assessment is to anticipate the possibility of debt repudiation, defaults, or delays in payment by sovereign borrowers' (2008: 119). In other words, these risks stem from macro-economic problems. These risks are to some 'exten[t] under the control of the government, but definitively not under the control of a private enterprise or individual' (Nagy cited in Hough, Du Plessis and Kruys, 2008: 17). A state's macro-economic situation is influenced by country-specific and regional-specific factors with political, economic and financial origins (Sichei, 2008: 119).

Brink clarifies the distinction between country risk and political risk by stating that 'country risk implies a country's *inability* to repay loans, while political risk relates to the country's *unwillingness* to do so' (2004: 23). This distinction brings some clarity to the difference since a state that is unable to pay its loans can be considered both a political risk and a country risk. However, if the state wants to pay its loans, but it is *unable* to do so due to macro-economic constraints, it is considered a country risk. However, when the state is *unwilling* to pay its loans or hinders foreign currency movement it is a political risk, but the political risk is manifested through involvement in macro-economic issues.

It is possible to include country risk factors and variables into a political risk analysis, and it then serves as part of the overall political risk. However, political risk variables are not used in a country risk analysis (Brink, 2004: 18). The level of country risks in a state is not necessarily related to the level of political risks in a state and vice versa. Political risk and country risk are definitively related, but they are used for different purposes. Political risk looks at political interference in the economic sphere, whereas country risk looks at a country's fiscal policy and creditworthiness.

2.4. Regionalism and Political Risk

The environment in which politics and economics operate today is increasingly globalised. Clapham explains:

> 'The model of inter-state integration through formal institutional frameworks, which has hitherto dominated the analysis of integration in Africa and elsewhere, has increasingly been challenged by the declining control of states over their own territories, the proliferation of informal networks, and the incorporation of Africa (on a highly subordinated basis) into the emerging global order.' (1999: 53 cited in Grant and Söderbaum, 2003: 4)

Some political risk factors consequently stem from outside where the state, the investor or business is operating. Furthermore, an investor can experience political risks in the home state, host state and from the international community. Royal Dutch Shell experienced pressure from a multitude of actors and organisations because of its poor oil spill record in Nigeria (Frynas, 1998: 457). The vast regional network through formal and informal agents, state and non-state actors, and driven by legal and illegal motivations, subsequently brings diverse political risks and security issues.

A political risk analysis should incorporate this, but that is not possible by using the traditional state centric approach. To successfully include regional risks it is necessary to make a regional political risk analysis (Hough, 2006: 13). The importance is to clearly define what the political risk analysis focuses on, be it industry, region, state, or any other specification. A challenging aspect is that no regional risk has the same effect throughout the region. A regional political risk analysis is needed to incorporate regional differences at the same time as the regional aspect of risks is highlighted. The

traditional national approach to political risk is therefore not wrong, but fails to incorporate all potential political risks.

State centric political risk analysis is criticised for being irrelevant and constructed for the past. The present globalised and interdependent world needs a regional and global approach to political risk (Ohmae, 1996: 131). There are two main arguments for this; one generic and one specific for the GoG. The generic argument is that a national state's influence on the economy is limited in an ever-increasingly globalised and borderless world. Several authors are therefore promoting regional political risk analysis (Hough and Hawkins, 1996). The specific argument for the GoG is that the states in the region are not built on traditional borders and the modern regional states have never been strong enough to replace traditional and informal regional trade and communication networks.

Furthermore, regional security is closely related to ambitions and capabilities of the regional power. Varyrynen states that 'usually such [regional] power centres sit at the top of the hierarchy of an identifiable regional subsystem; Indonesia, India, pre-revolutionary Iran and Nigeria may serve as examples of this tendency' (cited in Ayoob, 1995: 59). When making a regional political risk analysis it is therefore imperative to look at the causal relationship between actors in the region, including state, non-state, legal, illegal, formal, informal, international organisations and businesses. Accordingly, this thesis focuses on a number of these actors and actions that originate from this.

2.5. Political Risk and Maritime Insecurity

Maritime security is referred to through concepts such as physical security measures, the registration of ships, shipboard security, piracy, marine safety issues, phantom ships, illegal immigrants and stowaways, port security, terrorism and drug trafficking (Potgieter, 2009: 6; Thai, 2009: 147). The maritime domain is legally controlled by the state through 'territorial waters (12 nautical miles from the coast), the contiguous zone or coastal waters (24 nautical miles from the coast) and the exclusive economic zone (EEZ, 200 nautical miles from the coast)' (Potgieter, 2009: 7). However, for a state to have legal rights of the maritime territory it must exercise maritime sovereignty over its territory. A claimed territory, be it on land or on sea, is not legally recognised unless sovereignty is exercised. This is a controversial aspect of

international law for many African states considering their often non-existent coast guard or navy (Frizzell, 2007: 1; Vogel, 2009: 1). In 2008, only five out of 33 states in sub-Saharan Africa had maritime forces classified as coast guard, whereas most states, at least on paper, had some sort of navy (Vogel, 2009: 1). Navies and coast guards have very different responsibilities and maritime crimes in the GoG, i.e. armed robbery, piracy, smuggling, illegal fishing and trafficking falls under the jurisdiction of the coast guard.

Foreign investors are for several reasons concerned with the lack of capacity African states have to promote and ensure maritime security. The most generic reason, regardless of state and region is that 90 percent of the world's commerce travels by sea (US Navy, 2007: 3). Thai argues that 'from a management point of view, security threats in maritime transport should be viewed as one of the risks in the organization's risk profile' (2009: 147). Specific industries operating in the ocean, for example, include the fishing and oil and gas industries, but also most land-based industries are dependent on the shipping industry to transport products to and from their production sites.

The above-mentioned industries are, because of their dependence on the ocean, vulnerable to maritime insecurities. The level of maritime security varies throughout the world, depending on the onshore political situation, the climate on the shoreline and commercial opportunities that exist offshore (Fouché, 2009: 78).

It is expensive for states to have an operational navy and coast guard, and few developing states have sufficient resources to allocate funds for these bodies. A consequence of this is that few developing states exercise sovereignty over their offshore territory. Maritime security can be managed with less resources but this is only possible through close cooperation between public, private and regional actors (Potgieter, 2009: 7). Close cooperation between national maritime security forces and non-state actors using the ocean makes monitoring the ocean more feasible for states with limited capacity and resources. However, for this to happen, transparency, trust, reliability and stability are needed from the state's maritime security forces and this is another challenge many developing states are struggling with. Currently, it is a political risk for businesses to operate in certain areas due to maritime insecurity.

The following sections briefly conceptualise maritime security concepts relevant to the study.

2.5.1. Piracy, Armed Robbery, Theft and Maritime Terrorism

> 'Piracy, or "robbery on the high sea," has existed for as long as people and commodities have traversed the oceans. The ancient Greeks, Romans, and Chinese all complained of it, and all created naval forces to fight pirates.' (Elleman, Forbes and Rosenberg, 2010: 1)

It is evident that robbery on the high sea is not a new risk for ocean-dependent investors. However, there is little factual knowledge surrounding the infamous *pirate*. When reading about maritime security it soon becomes clear that the concepts of *piracy*, *armed robbery* and *theft* are used interchangeably without being conceptualised.

This needs to be conceptualised properly in a maritime political risk analysis so that the investor can understand the factual situation at sea, i.e. armed robbery, piracy and theft are not the same and efficient management and mitigation strategies are needed to acknowledge the differences.

Campbell points to this challenge by noting that the international community is operating with several definitions of piracy (Campbell, 2009: 30). The consequences of this can be that the preferred definition, used by one international company or institution, hinders the payment of maritime insurance, prosecution in a domestic court and regional or international cooperation in patrolling areas with maritime insecurity.

The IMB defines piracy and armed robbery as:

> 'an act of boarding or attempting to board any ship with the apparent intent to commit theft or any other crime and with the apparent intent or capability to use force in the furtherance of that act. This definition thus covers actual and attempted attacks whether the ship is berthed, at anchor or at sea. Petty theft is excluded unless the thieves are armed' (cited in Elleman, Forbes and Rosenberg, 2010: 11).

This definition equals piracy and armed robbery and it brings forth the question of what the differences between them are.

The United Nations Convention on the Law of the Sea of 1982 (UNCLOS) definition of piracy is for the most part similar to the IMB definition, but for two crucial points. UNCLOS's definition adds that piracy is only on *the high sea*[12] and *outside the jurisdiction of the state* (Murphy, 2007: 12). The International Maritime Organisation (IMO) also uses this definition with the implication that the two main maritime organisations, the IMB and the IMO, operate with two different definitions of piracy. The UNCLOS definition means that law enforcement against piracy can only operate on the high sea. The high sea excludes territorial waters and pirates can then easily sail from the high sea into territorial waters and avoid being captured (Murphy, 2007: 12). Considering the limited capacity that most African states have to control their territorial waters, and their reluctance against foreign interventions, means that pirates can use territorial waters as a safe haven.

The distinction between piracy and armed robbery makes sense when the UNCLOS definition of piracy is used. An act of piracy within territorial waters will not be called piracy but armed robbery, i.e. the distinction is determined by the definition of piracy and the proximity to land.

This thesis follows the UNCLOS definition and uses the concept armed robbery within territorial waters and piracy for incidents outside territorial waters. However, armed robbery will be referred to as an armed attack.

Terrorism is a concept that has been overused in recent literature about security, including literature on maritime security (Murphy, 2007: 45). The danger with the concepts of terrorism and terrorists is that it simplifies the motives and objectives of a person or organisation. The consequence is then that outsiders, usually foreigners from the US and Europe, fail to understand why they are attacked by terrorists. In the Niger Delta the motivation of terrorists can be political, communal or financial. This thesis avoids using the term terrorism; instead terms such as political activists,

[12] UNCLOS defines *high sea* as being outside a state's territorial water, i.e. outside twelve nautical miles from shore. Note that the UNCLOS has two definitions for the *high sea*. The second definition deals with exploration and exploitation of resources and does not relate to piracy (United Nations Convention on the Law of the Sea, 1982).

community activists and criminals are used unless the perpetrators' motivation fits that of a terrorist.

2.5.2. Oil Bunkering, Seizure of Oil and Gas Platforms, Sabotage and Kidnapping

Oil bunkering, seizure of oil and gas platforms, sabotage and kidnapping are all means used by activists in the Niger Delta to put pressure on the government or on Multi National Oil Corporations (MNOCs). It is important for MNOCs to follow the trends in these activities in order to limit their vulnerability and to increase their capacity to counter such threats.

Most political risk analysis of the oil and gas industry in the GoG concludes that the offshore oil and gas installations are more secure than the onshore oil and gas installations (Frynas and Mellahi, 2003: 548). The notion has been that the community activists, political activists or criminals that operate onshore lack the capacity and the means to threaten the offshore oil and gas installations. However, the capacity and means of the above-mentioned groups are rapidly expanding and the safety of offshore oil and gas installations has ended.

In 2006, civil conflict cut the Nigerian oil and gas production by one-third (Pham, 2007). The production has since increased, but production in the Niger Delta, onshore and offshore, remains vulnerable to attacks from political and community activists. Targeting the oil and gas industry has proved an effective measure against the government. The oil and gas industry has been and is likely to be used in future conflicts between civil society and the government.

The value of the oil in Nigeria that has been stolen or wasted over the last 50 years is estimated to be between US$300 and US$400 billion and a report by the Royal Dutch Shell estimates that 100 000 barrels or 10 percent of Nigeria's oil is stolen daily (Nincic, 2009: 7). Another study from 2009 estimates that between 30 000 and 300 000 barrels are stolen daily and that the Nigerian economy lost around US$100 billion between 2003 and 2008 (Asuni, 2009: 1). Oil is stolen in three ways: by 'small-scale pilfering for the local market, large-scale tapping of pipelines to fill large tankers for export, and excess lifting of crude oil beyond the licensed amount' (Asuni, 2009: 1). Political and military leaders, foreign ship owners and local youth are all players in oil bunkering (Nodland, 2010: 201; Pham, 2007; Asuni, 2009: 1). Trade in stolen oil is a

billion dollar business and this money provides illegal and informal actors with resources to buy political influence, arm their own militia, and protection for their operations.

Since 2009, kidnapping has increased in the Niger Delta (AFP, 2011a). Kidnapping has been used as a means to put pressure on the government and on MNOCs. The pressure is linked to access to clean water, cleaning up oil spills, release of political or community activists and employment opportunities, to mention a few aims. However, the recent increase in kidnappings is for ransom and not as a means of putting pressure on the government or MNOCs.

2.6. Conceptualising the Offshore Oil and Gas Industry

The oil and gas industry is divided into *upstream*, *downstream* and *midstream* operations (Shell, 2011).

- Upstream operations include everything that is involved in exploration and production of oil and gas (Investopedia, 2011a).
- Midstream operations include processing, storing, transporting, and the marketing of oil, natural gas and natural gas liquids (Investopedia, 2011b).
- Downstream operations take place after the production phase through to the point of sale (Investopedia, 2011c).

Offshore oil and gas operations directly include exploration, production, storing and transporting. The indirect industry is made of a range of support structures in maintenance, logistic, ports for transport, housing for employees, onshore emergence units and onshore processing facilities.

2.7. Contextualisation of Important Concepts

The first section of this chapter conceptualised the concepts relevant to this thesis. As explained earlier, the second part of this chapter places the abstract concepts in context. The concepts contextualised are: maritime security, offshore oil and gas in the GoG, security and the oil and gas industry in the GoG and regionalism in the GoG.

2.8. Maritime Security

The paragraphs that follow employ a deductive approach to contextualise maritime security. The first paragraphs explore maritime security internationally and the final paragraphs offer an overview of the maritime security in the GoG. All aspects in this section are explained generically and globally, then specifically and in relation to the offshore oil and gas industry in the GoG. The focus is on maritime security, but onshore aspects are included when they are directly related to maritime security.

Maritime security centres around measures taken by owners, operators, administrators of vessels, port facilities and other maritime organisations as protection against piracy, sabotage, terrorism, stowaways, illegal migrants, asylum seekers, armed robbery, smuggling, and theft of vessels (Potgieter, 2009: 6; Sunday Times, 2011). Measures taken to address maritime security issues need to be 'international in nature and involve cooperation between different national bodies' (Marlow, 2010: 671-672). Marlow emphasises this by using the following example: 'which law would apply in the case of a ship flying a flag from one country, carrying a cargo which is insured in another country between two different countries, crewed by a multinational crew and attacked on the high sea?' (2010: 672). Marlow's example indicates that maritime security is international by nature, and a state centric approach to ensure maritime security is thus futile from the beginning. The main challenge in enforcing maritime security is the cooperation and coordination needed between the various actors.

2.8.1. International Maritime Security

International maritime security has always been a contentious issue. The ocean is a huge, open and mainly unguarded space used by state and non-state actors. Major global powers and sometimes successful companies[13] aspire to obtain international maritime security. Should a state of international maritime security be achieved, it can only be done by cooperation between the major state and non-state maritime actors.

The main maritime actor is the state, whose legal responsibility is to maintain control of ports and sea within its territory. If all states had the capability to control and secure their territorial waters the level of global maritime security would be very high. However, many states, most notably developing states, lack the incentive, resources,

[13] The Dutch and British East India Companies are examples of non-state companies; big and powerful enough to promote international maritime security.

and capabilities to exercise their sovereignty. For a state to have legitimate claim to a territory, be it on land or sea, it needs to exercise its sovereignty[14] (Wallace and Martin-Ortega, 2009: 120). For offshore territory this relates to a state's capability to monitor, regulate and control its waters. Coast guards and navies do this. When a state is unable to exercise its sovereignty on the sea it leaves an ungoverned space open for informal and illegal actors to operate unchallenged. This can be used to import or export goods illegally and to avoid paying customs, smuggling, poaching and trafficking.

A high level of maritime security depends on cooperation between state and non-state actors in monitoring and upholding security. However, in a situation where the state actors are limited or non-existent, the non-state actors often take advantage of the gap in security and become the elements of insecurity. So not only is the lack of a state presence at sea negative for maritime security, but it also makes it profitable for non-state actors to further undermine maritime security instead of encouraging it, i.e. a state that does not exercise its sovereignty is also unable to coordinate and cooperate with actors that make other non-state maritime actors work together.

Maritime cooperation should centre on simple initiatives like all vessels reporting their presence and planned route, registration of cargo, as well as a set framework for reporting threats, pollution or accidents at sea.

Areas outside a state's territorial waters can be patrolled by other states. However, the situation outside Somalia shows that even a combined effort by major global powers and international organisations cannot control activity in that area. Pirates are still operating with great success off the coast of Somalia. This is clear from the ICC's report on incidents dating from 1 January 2011 to 13 June 2011: Somalia experienced a total of 154 attacks, 21 hijackings, 362 hostages taken and seven killed (ICC, 2011e). International maritime security depends on cooperation from coastal states in order to create maritime security, regardless of how much effort the international community uses to control the ocean. The international efforts to combat piracy outside of Somalia have made it clear that piracy cannot be fought only at sea. Pirates

[14] Onshore sovereignty is exercised through police and military. However, sovereignty can also be exercised through softer measures like education, health care, and infrastructure. Offshore, the navy and coast guard exercise sovereignty.

need to be confronted onshore as well. Maritime security is therefore dependent on cooperation with the local government in regions where pirates are active.

The main concern for the international community is to keep major sea-lanes open and safe for commerce. Around 90 percent of the world trade is transported on the sea and the importance of protecting this cannot be emphasised strongly enough (US Navy, 2007: 2). The most vulnerable places are in close proximity to choke points like the Malacca Strait, the Gulf of Aden and the Strait of Hormuz, where a number of ships need to pass with limited opportunity to manoeuvre (Marlow, 2010: 667). Piracy, armed robbery and hijacking have increased over the last years and reached an all-time high in 2010 when the IMB reported a total of 445 pirate attacks, 53 hijackings, 1182 seafarers captured and eight killed[15] (ICC, 2011b). In 2011, the number of incidents by 13 June equals 243 attacks and 26 hijacking worldwide (ICC, 2011e). These incidents have been located in three main areas: the Gulf of Aden and outside Somalia, the Gulf of Guinea, and the Malacca Strait. One Earth Future conducted a study in 2010 that estimates the annual cost of piracy to be between US$7 and US$12 billion (Bowden, 2010: 2). Piracy furthermore has had a negative influence on the offshore oil and gas industry in the GoG because of attacks on vessels, rigs and platforms for years. The cost amounts to billions of US dollars in lost revenue and it has contributed to an environmental disaster because 546 million gallons of oil have been spilled (Vogel, 2011: 2). This is a local, national, regional and international maritime problem that the national and the international community struggle to advocate.

A state's sovereignty reaches a maximum of 200 nautical miles out from shore. This leaves vast areas of sea outside state sovereignty. This is under the jurisdiction of the UN, but the UN does not have a navy. Maintaining order at the high sea has been and is done by the larger navies (Potgieter, 2009: 15). Larger navies, controlled by the global powers, also maintain order at choke points and within the Exclusive Economic Zone (EEZ) of other states. These global powers often seek legitimacy to secure other states' territorial waters but they seldom or never receive consent for this. One of the challenges is that global powers often seek to protect their interests abroad, especially when the host state lacks the capacity to ensure security within its territory.

[15] See appendix A for an overview of number of actual and attempted attacks the last five years and appendix B for an overview of port and anchorage with three or more reported incidents in 2010.

Oil spillage is another aspect of maritime security that has been in the news after the explosion on the Deepwater Horizon rig in the Gulf of Mexico[16]. If a disaster happens, what are the resources, equipment, knowledge and manpower available to manage and mitigate the disaster. The Deepwater Horizon episode showed that one of the most advanced MNOC, BP, was unable to stop a massive oil spill in the US, the most advanced state in the world. The explosion happened on 20 April 2010 and the leak was stopped on 19 September 2011, five months and 4.9 million barrels of oil spilled later (Cutler, 2011; Digges, 2011). The US, as the most advanced and resourceful state, was unprepared and unable to manage this accident immediately and three months passed before it was managed. The oil spill had in the meantime damaged the sea for years despite the US Coast Guard, civil society, the US Navy and MNOCs using their resources to limit and clean up the spill. This shows how challenging it is to operate offshore and how catastrophic an accident can become. A similar accident on an oil or gas platform in the GoG will have catastrophic consequences, and the regional states will have limited, if any, resources to help manage the incident and to minimise the consequences. The regional states simultaneously have fewer resources to evaluate, detect and monitor a similar situation and their information will therefore come from the operator that caused it, i.e. no other actors have objective information around possible incidents.

2.8.1.1. Maritime Security in the Gulf of Guinea

There are currently two interstate conflicts in the GoG that concern maritime boundaries and islands (Nincic, 2009: 24). This is the situation around the Bakassi Peninsula that is elaborated in section 2.11.1 and a situation between Cameroon and Equatorial Guinea. These issues have been there for years, but are more problematic now that the states involved want to claim the resources located within the disputed area.

Another aspect of maritime insecurity in Africa is illegal dumping of waste (Potgieter, 2009: 12). Developed countries have been dumping huge quantities of hazardous waste along African coasts for decades. This is done due to limited or non-existent

[16] The explosion on Deepwater Horizon was caused by methane gas that was shot out of the drill column and out on the platform. The platform burned for 26 hours until it sank 22 April. The blowout preventer failed and BP was then unable to control the spill. BP tried and failed several times to stop the leak before they succeeded on 19 September. A presidential commission concluded that the spill was caused because safety rules was bent and avoided due to time pressure from above (Digges, 2011).

controls and regulations, and because African states charge them as little as US$2.50 compared to US$250 a ton in their home states (Potgieter, 2009: 12). The major cause for concern is the consequences that hazardous waste can have for local communities. Toxic waste kills fish and other renewable resources and endangers the health of those that live off the sea. Pirates - from a Somali point of view - can be seen as protecting their health and resources by hindering dumping of hazardous waste.

Other maritime issues in the GoG, besides armed attacks and piracy and pollution from the oil and gas sector in Nigeria, are illegal fishing, smuggling and oil bunkering (Mugridge, 2010). It is estimated that illegal, unregulated and unreported fishing costs sub-Saharan Africa about US$1 billion a year (Vogel, 2011: 1). In 2007, it was estimated that 60 percent of the cocaine from South America to Europe, worth US$1.8 billion, went through the GoG (Mugridge, 2010). Oil bunkering has been a common practice in Nigeria and the estimated loss between 2003 and 2008 was about US$100 billion alone (Asuni, 2009: 1). Several national and international actors who are profiting greatly from insecurity in the region promote maritime insecurity in the GoG. This money is spent on buying politicians, information and weapons, and to pay for soldiers, i.e. a region with limited maritime capacity is trying to control an illegal and informal trade where the actors have a bigger budget than the state has to spend on security.

The international maritime community has implemented the International Ship and Port Facility Security Code (ISPS Code) (McNicholas, 2008: 90). The ISPS Code sets a security and monitoring framework that needs to be followed by governments, shipping companies and port facilities. The aim is to eliminate security threats such as terrorism, stowaways, piracy, drug and contraband smuggling, sabotage, hijacking, unauthorised use, cargo tampering, hostage-taking, vandalism, use of the vessel to carry perpetrators and their equipment, and the use of the vessel as a weapon (McNicholas, 2008: 90). This international maritime initiative was started after pressure from the US after 9/11 and needs to be followed for shipping companies and ports to be allowed to trade with the US. This has had a positive effect on the GoG. The states in the GoG were quick to comply with the ISPS Code and it is subsequently a more transparent sector when it comes to shipping (Nincic, 2009: 25). The introduction of the ISPS Code motivates non-state international actors to comply

with an international framework if they want to trade. This is a good incentive for non-state actors to comply with international regulations within the GoG.

2.8.2. National, Regional and International Actors in Enhancing Maritime Security

Combating maritime insecurity is challenging due to overlapping legal jurisdictions and responsibilities between national and international, state and private actors. Maritime security is dependent on successful cooperation between the various actors. This is, however, challenging in many regions due to limited capabilities, mixed interests, and the question of sovereignty (Murphy, 2007: 75).

International law of the sea is set by the UNCLOS. UNCLOS has decided how far away from the coast a state's sovereignty reaches and this has to be respected by other states. The notion of sovereignty is challenging as far as a state is unable to ensure safety within its territory and when it simultaneously is strongly against foreign assistance. This is the challenge that regional and international initiatives need to overcome and the reason why initiatives from strong states often fail. It was only after the UN Resolution 1846 was passed by the Security Council on 2 December 2008 that foreign states could enter Somali territorial waters to fight piracy (Marlow, 2010: 672). However, this has not stopped Somali pirates; piracy has increased every year.

The US has tried to sell the idea of a 'thousand-ship navy' or as it is named today, 'Global Maritime Partnership'. The idea is for naval forces, shipping companies and other users of the sea to share capacity and information so that they can fight terrorism, piracy and arms smuggling together (Murphy, 2007: 74). Initiatives like these are failing due to the strong role the US Navy is allowed to occupy within the territorial waters of states with limited capacity. This US approach has ended in a strong focus on cooperation and local capacity building in the form of equipment and human development in the GoG.

States in West and Central Africa created MOWCA in 1975 (Kraska and Wilson, 2009). MOWCA aims to coordinate all maritime matters for its 25 member states. MOWCA together with ECOWAS are two regional organisations that can and should be used as a platform to coordinate efforts against piracy and other insecurities. The situation on the ground is unfortunately not as well implemented, financed and supported as these regional organisations indicate. The strengths of these

organisations do not lie in their capacity but the mere fact that they exist and that the states have a history of cooperation and communication.

Various lateral attempts to enhance maritime security regionally and internationally are explored and tested in the GoG and a few of them are explained below (Vrey, 2009a: 25). The French navy has maintained a strong presence within the territorial waters of its previous colonies (Mugridge, 2010). The US, Nigeria, Belgium, France, Spain, Cameroon, Congo, Gabon and Sao Tome and Principe held a joint exercise in 2011 (Iriogbe, 2011). This shows that cooperation is happening and capacities are being built in the region. Another example of this is that Nigeria and Cameroon are planning joint military patrols in the maritime space on both sides of their respective borders (Tumanjong, 2011). These are small steps towards increasing the maritime security in the GoG. However, it does indicate that the states in the GoG acknowledge their need to cooperate with other states in order to combat maritime insecurity. It is too early to say if these initiatives will be successful, but they are a positive start.

2.8.3. Private Security Actors

Local governments and oil and gas companies are increasingly turning towards private security companies in order to build maritime security capacity and to secure installations (Vrey, 2009a: 26). This rapid increase in demand has resulted in a fast growth in security firms (Saul, 2011). However, many of these security firms are regarded as unprofessional and there is often a low level of ethical norms. There is no registry of the different private security companies[17] and it is often impossible to check the guards for hire (Chalk, 2011: 11), i.e. the private security guards have questionable backgrounds. This, combined with private security firms operating without clear rules of engagement, puts the ship owner in a potentially difficult legal situation in case of an accident or engagement with pirates.

Private security actors are a natural part of foreign investments in states and regions where the state cannot promise to control violence (Vrey, 2009b: 99). This is a natural security approach for MNOCs that cannot expect their home state to intervene or their host state to ensure security. The state's security organisations in the GoG, the police

[17] Some private security companies: Drum-Cussac (UK), Dryad Maritime Intelligence Service (UK), Maritime Risk Solution (UK), Protecting Vessels International (PVI) (UK), Lotus (Yemen, formerly UK), Hollowpoint Protection (US), Hart Group (UK), Secopex (France) Saracan (US) and Xe Services (Formerly Blackwater, South Africa/UK) (Chalk, 2011: 9).

and the army focus on protecting the government from the population (Vrey, 2009b: 92). Private security companies have traditionally operated on land, but attacks on ships and offshore installations in recent years have opened up a new market.

The offshore oil and gas industry is expected to grow significantly in the GoG in the next decade (Vrey, 2009b: 94). For this growth to happen as rapidly as the MNOCs want, the questions around security need to be addressed. The states in the region struggle with capacity, quality and funding that would assist them in addressing security in a meaningful manner. As a result, MNOCs approach private security firms in order to manage and mitigate the security risk.

Private security has experienced massive global growth over the last years largely due to the wars in Iraq and Afghanistan. These firms are now offering a wide spectrum of services to the shipping industry, mainly outside Somalia (Chalk, 2011: 9). These firms have been operating onshore in the GoG and they see offshore insecurity as a business opportunity.

Increased involvement of private security firms is considered a positive development. However, the role, operation and influence of private security firms need to be transparent, and cooperation with the local army and navy is decisive to maximise their potential.

2.9. Offshore Oil and Gas in the GoG

West Africa, including the GoG, is currently the region were the oil and gas industry extracts most oil and gas offshore (Kulkarni, 2010: 1). Investments have been enormous over the last decades and much of the new global findings have been in the GoG. Offshore oil and gas production in the GoG offers several advantages compared to the Middle East. The first advantage for the US and EU is that the GoG is located closer and transportation is located away from choke points and the politically unstable Middle East (Leech, 2006: 115). A second advantage is that offshore production limits political risks and civil disorder (Gary and Karl, 2003: 13). Onshore oil and gas production operates within a community. This is not necessarily a negative thing, but experience in the GoG indicates that the relationship between the producer and locals has been and is a negative one. Offshore production minimises contact with local communities, which again removes an element of friction.

In 2008, Africa as a whole produced 12 percent of the oil in the world, with the GoG being the major producing region within Africa (Foss, 2008). This quota is likely to increase considering that much of Africa is still unexplored and several findings are inaccessible due to a lack of infrastructure and investments. Africa's production of liquefied natural gas (LNG) was 27 percent of the global trade in 2008.

2.9.1. The Beginning of Oil and Gas Exploration and Production in the GoG

Exploration for oil and gas in the GoG can be dated back to 1903 (Omeje, 2006: 33). However, it was not until 1956 that Shell-BP discovered commercial quantities of oil in the Niger Delta. Production started in 1958, two years before Nigeria became an independent state.

All states in the GoG are either exploring for or are already producing oil and gas. It is therefore possible to divide the states in the GoG into old or new oil and gas producers (Gary and Karl, 2003: 25). Old oil and gas producers are Nigeria, Cameroon and Gabon, whereas new oil and gas producers are Ghana and Equatorial Guinea. Several small producers can be placed in the latter category, including Benin, Togo, Ivory Coast and Sao Tome and Principe.

Nigeria is the only state that has significant onshore oil and gas production; all the other states have almost exclusively offshore oil and gas production.

2.9.2. Actors and Operational Methods in the Oil and Gas Industry in the GoG

MNOCs controlled all aspects of the oil and gas industry until the late 1960s (Omeje, 2006: 33). However, the trend in the 1960s, 1970s and 1980s with nationalisation of oil and gas industry effectively stopped the MNOC monopoly. Regardless of this, MNOCs still have a place and are still major players in the GoG. MNOCs often operate a field in a joint venture with the national oil company controlling the field (Leech, 2006: 34).

Nigeria formed the government-owned Nigerian National Oil Corporation (NNOC) in 1971. A criterion for the Organization of Petroleum Exporting Countries (OPEC) membership is that the member country acquires a minimum of 51 percent of foreign equity interests and that the government participates actively in all aspects of oil and

gas operations (Omeje, 2006: 33). Nigeria became the only West African OPEC member in 1971. All MNOCs from 1972 were forced to start joint ventures with NNOP. NNOP was renamed the Nigerian National Petroleum Company (NNPC) in 1977 and remains the dominant actor in Nigeria. In the last two decades private investments have been encouraged (Omeje, 2006: 43). This means that Nigeria, and the GoG in general, remains an area where MNOCs are still important.

A recent development in the GoG is that the big MNOCs are losing new contracts to smaller oil and gas corporations and other national oil corporations (NOCs) (LeVine, 2010). The earlier dominance of US and European operators are over as Chinese, Russian, Korean, Japanese, Indian and other investors are venturing into the region (LeVine, 2010; Keating, 2011). The regional state-owned oil and gas corporations have a multitude of different actors seeking drilling and exploration rights. This has changed the relationship between MNOCs and the host states since the host states can choose whom to cooperate with from different states. The major MNOCs operated in the past with the knowledge that the host state did not have anyone else to get the financing, knowhow and technology from, and this created an environment where MNOCs appeared very confident and arrogant. However, today smaller oil and gas companies and NOCs can offer the same service as the traditional MNOCs. Another aspect of this is that MNOCs often need to work in cooperation with their home state to get contracts in the GoG. An oil and gas corporation is not only representing its own interest, but the interests of its home state, regardless of the corporation's intention to do this.

One aspect that categorises the oil and gas industry in the GoG is that it is very dependent on foreign knowhow and industry. Even Nigeria, after half a century of oil and gas production, has developed very few industries that sell services or industrial equipment to the oil and gas industry. In 2006, it was estimated that the oil industry had US$12 billion in expenditures and only 15 percent of this was spent in Nigeria (Ukiwo, 2008: 79-80). Nigeria has implemented several legislations in the last decade to counter this and some progress has been made. One example is the joint project of ABG Shipyard, the government, Nkrah Investment Limited and BGL Private Equity in building a shipyard in Calabar, Nigeria. This makes it possible for Nigeria to construct oil drilling rigs, support vessels, LNG carrier vessels, patrol and military equipment for the navy (Nsa-Abasi, 2011). The shipyard also repairs and upgrades

vessels. A 'tools fabrication workshop and training academy for the development of indigenous manpower in marine technology, naval architecture, ship designing building technology and marine operations' will also be built in relation to the shipyard (Nsa-Abasi, 2011). This is a very interesting initiative in Nigeria, but it is remarkable that it took over 50 years before such an initiative was started. It can serve as a good example of how the old oil and gas economies in the GoG have demonstrated a clear rent-seeking behaviour.

The old oil and gas producing states in the GoG have failed to make oil benefit the people. According to the UNDP's annual Human Development Index (HDI)[18], Nigeria[19] and Cameroon have a poor HDI ranking (UNDP, 2010). Gabon is ranked as medium human development state. All three states are ranked above the average for sub-Saharan Africa, but that still places them among the least developed states in the world.

2.10. Security Consequences of the Oil and Gas Industry in the GoG

Oil and gas are commodities most valued in the world. Numerous coups and intrastate conflicts can be traced back to a desire to control oil and gas resources. Another aspect of this is that a state with abundant oil and gas resources should prosper; its citizens should experience safety, opportunities, and generally a high living standard. This has not been the case for the old[20] oil and gas economies in the GoG. The next three sections focus on Nigeria and its oil conflict, but examples are drawn from other states in the region to substantiate as necessary. The focus on Nigeria is due to its long history and as the biggest producer in the region. Another reason is that maritime insecurity in Nigeria is closely related to the oil and gas industry.

This section looks at possible negative consequences of oil and gas production in the region. Oil and gas has considerable influence, money and power attached to it, and this has not always been to the benefit of the producer.

[18] The HDI is based on the following indicators: health, education, income, inequality, poverty, gender, sustainability, human security, and composite indices.
[19] Nigeria is ranked as number 142, Cameroon as 131 and Gabon as 93 in the world according to the UNDP's Human Development Index.
[20] Old oil economies in the GoG include Nigeria, Gabon, and Cameroon.

2.10.1. Oil and Gas as a Political Commodity

Oil and gas account for 98 percent of Nigeria's export earnings, 83 percent of federal government's revenue, it generates 40 percent of its GDP, it accounts for 95 percent of foreign exchange earnings and 65 percent of the government's budgetary revenues (Federal Ministry of Petroleum Resources, 2011), i.e. oil and gas revenue is without comparison the most important source of income and those in control of the oil and gas industry are most likely controlling the government.

Oil and gas does not need to be processed to generate an income. When the production starts, it can be exported without being part of the state of production economy, i.e. the government can use an MNOC to generate substantial income without employing any locals. It is a commodity that makes corruption easy and legitimacy challenging. The three old oil economies in the GoG have all failed in making the oil benefit the people. They have used oil to enrich the elite, quell opposition and to buy local support (Leech, 2006: 90). There is little accountability for how contracts are made and how the money is allocated. Transparency International is an organisation that ranks all the states in the world on a scale from 0 to 10. The lower on the scale a state is placed the more corrupt it is considered; Nigeria ranks at 2.4, Cameroon at 2.2 and Gabon at 2.8. These countries are ranked as highly corrupt (Transparency International, 2011).

Ethnic, religious and regional conflict existed in Nigeria before oil and gas was found (Watts, 2008: 71). The ruling group in Nigeria, be it Southerners or Northerners, Christians or Muslims, all seek to control the oil and gas revenues to benefit their region and group. This has led to the paradox that the poorest regions in Nigeria are the nine oil and gas producing states (Nodland, 2010: 191). These long-lasting grievances have culminated in the notorious insecurity in the Niger Delta, be it onshore or offshore. The government has protected the MNOCs since the government depends on income deriving from the MNOCs. If a minority group wants the government to listen to them they need only stop or hinder oil and gas production. The oil and gas industry also finances political and community movements in the Niger Delta through oil bunkering (Watts, 2008: 71). Money from this trade is used to buy politicians and weapons: oil and gas is indirectly financing the Niger Delta conflict.

Oil and gas is an important political commodity not only for Nigeria but also for the US, EU, Japan and China. All the major global powers are dependent on importing oil and gas. This has led to a second *scramble for Africa*, where foreign powers are *fighting* each other for the oil and gas in Africa (Watts, 2006). African states are therefore under immense foreign pressure to allow oil and gas exploration and MNOCs in cooperation with their home states and NOC are paying well for access.

2.10.2. Oil Spilling and Environmental Degradation in the GoG

Human Rights Watch reported more than 1.8 million barrels of oil from 4835 spills happened in Nigeria between 1976 and 1996 (1999, cited in Leech, 2006: 97). Oil spills are caused by accidents, poorly maintained infrastructure and oil pipelines, sabotage of infrastructure and oil theft. Nigerian law requires oil spills to be cleaned and surrounding ecosystems to be restored to their previous state (Omeje, 2006: 93). This is only occasionally done due to two main reasons. The first is the importance of maximising the revenues of oil and gas and to secure patrimonial accumulation. This is why Nigeria lacks a proper institutional framework to enforce the law (Omeje, 2006: 93). The second reason is the debatable responsibility when the reason for the spill is sabotage or oil theft (Leech, 2006: 101). It is not only oil spills that have contributed to environmental degradation in the Niger Delta; gas flaring, 'a process used to burn unwanted gases' has proven particularly hazardous for local communities since it spews acrid plumes of black smoke around the clock (Leech, 2006: 100-101).

Conflicts between communities and MNOCs can also happen when the MNOCs take responsibility for an oil spill and start cleaning up. Shell reports that on several occasions it has been denied access to the polluted area because the community spreads the pollution to get more compensation (Omeje, 2006: 94). There are also situations where local employees cooperate with communities in compensation-related sabotage.

Chronic oil spills and gas flaring have destroyed farmland and fishing for the people in the Niger Delta. Oil and gas has therefore not benefitted the locals, but on the contrary, decreased their living standard, i.e. it is not difficult to understand why people in the Niger Delta have grievances against the government and the MNOCs (UNEP, 2011).

2.10.3. Neglecting Local Communities

One would believe that the local communities have benefitted from the 53 years of oil and gas export in Nigeria. However, the number of people living on less than one dollar a day increased from 36 percent in 1970 to 70 percent in 2000 (Hjellestad and Nodland, 2007: 7). In 2007, it was also commonly believed that 85 percent of the oil and gas revenues went to one percent of the population. In 2006, 31 of 36 governors were under federal investigation, mostly under suspicion of corruption (Hjellestad and Nodland, 2007: 7). The situation until recently was that the government and the MNOCs worked together in maximising oil and gas revenues, with none or little focus on the consequences their activities had on local communities.

This has changed after decades of local protests and increasingly violent measures against both the government and the MNOCs. The first community movement in Nigeria to receive massive international support was the Movement for the Survival of the Ogoni People (MOSOP) in the early 1990s (Asuni, 2009: 3). MOSOP protested peacefully against pollution and deprivation brought on by oil and gas production, but this movement ended when its charismatic leader, Ken Saro-Wiwa, and the leadership was executed after trial (Hjellestad and Nodland, 2007: 9). The local communities in the Niger Delta took the violent path after a peaceful campaign in 1999 turned into a massacre. Operation Climate Change was supposed to be a ten-day programme of non-violent disobedience, but ended up lasting for weeks (Hjellestad and Nodland, 2007: 10). The MNOCs asked the government for help in moving the protesters. The government answered by sending warships and thousands of soldiers. One example of how the MNOCs solved this with the army was when Chevron lent its helicopters to the army who used them to attack protesters and free a drilling rig. This left over 50 people dead and dozens of homes destroyed (Hjellestad and Nodland, 2007: 10). The days of peaceful protests ended.

New prominent groups have been Niger Delta Peoples' Volunteer Front (NDPVF) and Movement for the Emancipation of the Niger Delta (MEND). The recent conflict has been violent and the groups use oil theft and kidnapping to finance their activities. The groups were originally very political and community motivated, but this has changed to more activity motivated by personal profit rather than political goals (Nodland, 2010: 197).

The situation has changed in the way that the MNOCs realised that it was more profitable for them to cooperate with the locals than using the state to oppress them. MNOCs are now more involved in community development. The problem with corrupt governors and other public employees is great since the illegal actors in drugs and oil bunkering have more than enough money to buy their loyalty. Considering that the only viable future for the youth is to join the informal or illegal sector has created an environment where violence and crime are endemic. The negative environment is based on the neglect of local communities. Local communities have information and protect illegal actors at the same time as their youth are recruited to join the business.

Many local communities in the Niger Delta have intimate knowledge of the local waterways and seafaring. This makes piracy and offshore armed attacks a natural part of their operation.

2.11. Regionalism in the GoG

Nigeria is the country to observe when regionalism in the GoG is analysed. Being the largest state, having the biggest GDP, with half the region's population, and by far the strongest military, Nigeria is the state to lead the region.

Nigeria has always been an active member and leader in ECOWAS and MOWCA. However, insecurity within Nigeria is one of the factors that keeps the GoG insecure, especially when looking at maritime security. Regional security challenges are many, from the recent war in the Ivory Coast, to the Bakassi Peninsula and transnational criminal networks in trafficking, smuggling of arms and drugs and oil bunkering. The next two sections look at how insecurity in the Bakassi Peninsula and the Niger Delta affects the region.

2.11.1. Bakassi Peninsula

In 2006, the presidents of Nigeria and Cameroon signed a treaty that ended the conflict around the Bakassi Peninsula (UN, 2006). The Bakassi Peninsula had belonged to Nigeria since its independence in 1960 and the majority of the population was Nigerian. Cameroon claimed the territory on the grounds of old colonial maps and took Nigeria to the International Court of Justice in the Hague after a series of violent clashes in 1984 (BBC, 2006). The International Court of Justice ruled in

favour of Cameroon in 2002; Nigeria handed over the first part of the Peninsula in 2006, and the handover is to be finalised in 2011. Nigeria was initially against the ruling, but after it accepted it, the state-to-state relationship and cooperation between the states has been favourable. The UN and international observers have praised the handover process (UN, 2006; AfricaFiles, 2011).

This was a personal loss for Nigeria, both on individual and state levels. The Bakassi Peninsula is unexplored when it comes to oil and gas resources because of the conflict (AfricaFiles, 2011). The area is expected to have huge quantities of oil and gas resources that the Nigerian state has lost. However, recent press releases state that Nigeria and Cameroon will cooperate in exploring the area. Nigerian and Cameroonian officials have acted with maturity to cooperate on the future of the region instead of bickering about the past.

Before 2006, around 90 percent of the population was Nigerian, amounting to about 300 000 (BBC, 2008). These people mainly lived as fishermen as the Bakassi Peninsula is rich in fish and shrimp. These people have largely been relocated to Nigeria without any compensation or living prospects. The present day conflict is between these people, the Nigerian state, and the Cameroonian state. They feel their right to live on the land they have always lived on was taken away from them. This has resulted in the formation of a local rebel group named Africa Marine Command (AMC) and several other groups (Tchakam, 2011). Since 2008, more than 50 people have been kidnapped (Tshakam, 2011). These organisations are also attacking Cameroonian institutions and oil and gas installations.

The Bakassi conflict has gone from being an area of dispute between states to one of the areas in the region most prone to piracy and armed attacks. The positive aspect is that Nigeria and Cameroon are cooperating on a state level. However, the civil conflict has brought maritime insecurity to Cameroon. Another aspect of concern is that Cameroonian and Nigerian criminal syndicates are or can cooperate and the wider significance this can have for regional security.

2.11.2. Niger Delta[21]

The vast majority of incidents of maritime insecurity in the GoG have been in the Niger Delta (Nodland, 2010: 196). The two areas within the Niger Delta that have and are experiencing attacks on ships and offshore installations are Escravos and Benin River (Delta State) and Bonny River up until Port Harcourt. The level of insecurity in the Niger Delta has been constantly high, and there are few signs of the situation easing.

The reasons for maritime insecurity in the Niger Delta can be traced back to oil and gas corporations and political grievances, i.e. the relationship between oil and gas corporations and the state-created insecure environment. Nodland notes that theft, corruption, pollution, maladministration, unemployment and bad governance have caused frustration and increased aggression from the communities in the Niger Delta (2010: 191). This was never the intention of the MNOCs but it has been the indirect - and sometimes direct - consequence of how the local population is experiencing their activities.

The marginalised and militarised communities have support from the population and recruitment is not a problem in a region with high unemployment. Discontent in the region was initially against the Nigerian state, but today it is aimed more directly at the MNOC. The political activists target the MNOCs for political attention and to use it as a negotiation tool with the government. Community activists target MNOCs to draw attention to pollution or to make them invest in community projects such as fresh water, electricity and education. Criminals' motivation is to make a profit and the oil and gas industry indirectly provides the money for this.

2.12. Conclusion

This chapter started by describing the relationship between politics and economics. The conclusion is that politics and economics are dependent on each other. However, the influence on each other is not necessarily positive. The relevance of political risk lies in managing and mitigating the negative impact politics can have on a state's economy. This second chapter aimed to firstly conceptualise the relevant concepts in

[21] The Niger Delta covers about 70 000 square kilometres and is divided into nine states. About 20 million people live in these nine states and they belong to more than 40 ethnical groups and speak 250 dialects.

industry specific political risk and maritime security. The concepts conceptualised were chosen because of their relevance within their respective fields. The second aim of this chapter was to contextualise the relevance of the conceptualised concepts, i.e. the concepts are first defined in abstract terms before the second section places the abstract concepts in context. The contextualisation is primarily generic, but the aim is to apply it to the present context in the GoG.

The reader should now have sufficient understanding of the underlying theory, concepts and context that the rest of this thesis is based on. In Chapter Three a maritime political risk tool is constructed. This is done by analysing information from four political risk companies and the context presented in Chapter Two.

Chapter Three: Identifying Maritime Political Risk Actors and Actions

3.1. Introduction

This chapter conceptualises the main actors and actions of maritime security. The rationale for this conceptualisation is to create a maritime political risk tool that makes it easier for companies to successfully mitigate maritime political risk. After reading the contextualisation section of Chapter Two it should be clear that all maritime political risks are executed by an actor, i.e. to mitigate maritime political risk a company needs to either stop the actor or it needs to make itself invulnerable to the potential actions.

This thesis looks at four political risk companies and extrapolates the relevant information to make a maritime political risk tool. The first axis of the maritime risk tool consists of the actors. These actors contribute to either maritime security or maritime insecurity. The second axis consists of actions that represent maritime political risk. However, what is important is to extrapolate and conceptualise actors and actions relevant in relation to the reality in the region (Brink, 2004: 81), i.e. maritime political risk actors and actions differ from region to region. Some generic concepts dominate throughout the world, but even these concepts need to be adapted to the different regions.

This chapter firstly analyses available information from four political risk companies to identify relevant maritime political risk actors and actions. The second part of this chapter creates a tool to conceptualise the actors and actions. The result is the ability to map the geographic locations where these maritime political risks are a reality within the GoG. The rationale for this is to make it easier for present and future investors in the region to identify, understand, manage and mitigate maritime political risks.

The four political risk companies are drawn from two categories. The first category consists of major global political risk companies. Two companies, Aon and Control Risk, have been identified and they have offices and employees throughout the world. Available information from these companies indicates the maritime political risk factors most clients are enquiring about. These companies offer information not only on maritime security, but also on political risks for the oil and gas industry, the energy

sector or the extraction industry[22] which is sufficient to identify some of the actors and actions they focus on in regards to maritime political risk. The second category consists of political risk companies that specialise in maritime security. BRS and Risk Intelligence are political risk companies and their information is more extensive and specifically related to maritime security compared to political risk companies with general information on all regions and in all industries. This information is used to both identify maritime political risk actors and actions, and to conceptualise these actors and actions.

Data from the second section of Chapter Two is used with the data from the political risk companies to identify and formulate the relevant maritime political risk actors and actions in the GoG for the offshore oil and gas industry. An intimate understanding of political risk theory, the offshore oil and gas industry, maritime security and the region of interest are vital in identifying the relevant actors and actions. If either an actor or an action is poorly conceptualised or if it is not relevant for the region the subsequent advice for risk mitigation will be inadequate and misleading. A strong focus is on separating the *perceived* risks from the *real* risks; objectivity and different points of view on a similar risk are vital.

The core difference between a maritime political risk analysis and this maritime political risk tool is that the aim of a maritime political risk analysis is to rate the overall maritime political risk for the relevant state or region. This maritime political risk tool's aim is to conceptualise and map the risk within a region by looking at actors and actions. It is clear that some of the actors for the moment are not very active in the region; however, they were in the past and there is the probability they will be in the future. The same is true for the actions. This maritime political risk tool will help by mapping the risks. If a company uses the tool and updates the map regularly it will be possible to identify changes and trends, which will in turn, facilitate political risk management.

This chapter firstly looks at the history of political risks faced by the oil and gas industry. This demonstrates that political risks are not static, but change with time and context, i.e. the rationale behind including past and potential present actors and actions. The following section gives a brief outline of the interests the offshore oil and

[22] The energy sector and the extraction industry are broader terms that include the oil and gas industry.

gas industry have, i.e. to focus on the interests that can be targeted. These two sections give a brief and generic context of the relationship between political risk and the oil and gas industry and are followed by an analysis of the selected political risk companies used to identify the relevant maritime political risk actors and actions.

3.2. Political Risk and the Oil and Gas Industry in the 20th and 21st Century

Alon et al. note that 'defining and assessing political risk is a dynamic and evolutionary process for both academics and practitioners (2006: 626). This means that a political risk model, analysis and tool needs to be evaluated and changed as the context evolves. The next paragraphs illustrate this by looking at the main political risks over the last hundred years for the oil and gas sector.

Seven oil and gas companies from the US and Europe dominated the oil and gas industry in the years before World War Two (Boulos, 2003: 4). They controlled more than 90 percent of the world's oil and gas resources. Their domination was secured by a close link between the home state and the corporation. The end of this hegemony began in Mexico. In 1938, Mexico nationalised the foreign oil companies (Boulos, 2003: 4). This trend continued until the end of the 1970s with Iraq, Iran, Syria, Algeria, Argentina, Venezuela, Ecuador, Libya, Nigeria and other countries. Nationalisation has ever since been the main threat to oil and gas corporations. However, the threat of nationalisation has increasingly become a *perceived* rather than a *real* political risk. This change has come about because states now control their natural resources[23]. Other reasons are that international financial institutions like the World Bank, the International Monetary Fund (IMF) and others have created an environment where states do not necessarily benefit from nationalisation (Boulos, 2006: 5). A new trend is emerging where states prefer to partly privatise National Oil Companies (NOCs) so that they can compete for contracts on the international market. Ernst & Young defined competition between MNOCs and NOCs as the

[23] In 1963 the UN ratified a resolution on Permanent Sovereignty Over Natural Resources that recognises the 'right of all States freely to dispose of their natural wealth and resources' (UN cited in Boulos, 2006: 5). This meant that MNOCs no longer owned the oil and gas resources; they could now only get concession rights to exploit it from the state, i.e. the state could control the industry and secure revenues without nationalisation.

second most important risk for the oil and gas industry in 2010 (2010: 5), i.e. that states are using privatised NOCs to secure oil and gas reserves and revenues abroad.

Political risk by the end of the 20th century, and so far in the 21st century, centres on International Political Issues, Domestic Political Issues, International Business Practices, Corporate Responsibility and Risk Mitigation Strategies (Boulos, 2003: 6). This can be exemplified through *creeping nationalisation,* which is when a state unilaterally changes the terms or agreements in a manner that is detrimental for the oil and gas company. Other examples include currency control, border disputes, domestic laws, state dependency on oil and gas revenues, political stability and corruption, to mention a few *real* political risks in the 21st century (Boulos, 2006: 6-13). This political risk development over the last decades has resulted in a change from risk forecasting to risk mitigation (Alon et al., 2006: 626).

The above-mentioned political risks are presented as generic risks but they can simultaneously be micro political risks. It is possible for oil and gas companies to successfully mitigate and manage these political risks. However, an oil and gas company with successful management and mitigation strategies needs good political risk analysts to identify and forecast probable risks.

3.3. Brief Overview of the Vested Offshore Interests to the Offshore Oil and Gas Industry

This political risk analysis looks at the offshore oil and gas industry. The offshore oil and gas industry includes upstream and midstream activities, i.e. exploration, production, processing, storing and transporting of oil and gas[24].

Production of oil and gas entails huge investments in fixed installations. These installations need to be secure, with regards to human security, attacks and accidents. Another imperative aspect of the offshore oil and gas industry is transport. The oil and gas, personnel and equipment are continually shipped back and forth. To traverse the sea safely at any time of the day is necessary for the offshore oil and gas industry. This naturally requires a port, as well as processing and storing facilities onshore. Offshore safety also depends on onshore emergency equipment and personnel that can manage crises such as pollution, accidents involving personnel and infrastructure,

[24] See page 29, 2.7. for more information on upstream, midstream and downstream oil and gas activity.

securing installations from threats of attacks and assisting ships in distress. Offshore oil and gas exploration, production and safety are based on huge long-term investments. These long-term investors, the oil and gas companies, are consequently reluctant to invest in a region unless they are confident of a long-term operation because of the huge financial investment they will be making.

The core interest of the offshore oil and gas industry is to be able to safely use the sea. The second interest is strong long-term agreements with host states that secure the long-term investments.

3.4. Analysing Available Information from Four Political Risk Companies

The next few sections look at the four chosen political risk companies with the aim of extrapolating maritime political risk actor and actions. Each political risk company is analysed separately before the data is compiled to identify the actors and actions.

3.4.1. Aon

According to Aon's website it is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing (AON, 2011a). Aon has more than 500 offices in 120 countries with over 59 000 employees. In 1972, Aon founded the first team of political risk brokers and it considers itself one of the stronger teams in the market (Aon, 2011c).

Aon offers fifteen different personalised risk management solutions for any business (Aon, 2011b). Each of these fifteen risk solutions is briefly explained before concluding with possible risk management and mitigation strategies.

Chosen risk management solutions that are included in Table 1:

- Casualty Risk Control
- Claims Consulting
- Environmental Risk Management
- Errors and Omissions
- Fire Protection Engineering
- Kidnap and Ransom Insurance
- Terrorism Risk Management
- Property Risk Control (Aon, 2011b)

These risk solutions represent aspects of political risks relevant for a maritime political risk tool. However, the generic manner in which these risk management solutions are presented means they cannot be directly used without being analysed from a maritime and oil and gas point of view.

Aon as one of the world's largest insurance companies presents its political risk services in a manner that is closely linked with selling insurances. The overall impression is that Aon acknowledges that the more *perceived* risks investors and businesses fear the greater the insurance sum, i.e. their mitigation strategies are not aimed at solving the root problem of a risk, but to rather sell as much insurance as possible.

3.4.2. Control Risk

Control Risk is an independent, specialist risk consultancy with 34 offices worldwide (Control Risk, 2011a). Control Risk offers consultancy, advice and assistance to a wide range of governmental, non-governmental and corporate clients worldwide. Africa is a continent Control Risk has worked in for nearly 30 years and it has offices in Algeria and Nigeria (Control Risk, 2011d). According to its website, Control Risk has experienced teams of experts covering maritime security, and the oil and gas industry (Control Risk, 2011b; Control Risk, 2011c). It is information from the maritime security and the oil and gas industry that is analysed in this paragraph.

Control Risk's portfolio of maritime security services includes:

- Compliance with international security codes, including ISPS Code
- Counter-piracy services (prevention, monitoring, response)
- Vessel security surveys and implementation
- Port and facility threat assessments
- Maritime crisis management and incident response
- ISPS and hostile environment training for company, ship and port facility security staff (Control Risk, 2011a)

The first four bullets are maritime risk factors, whereas the two last bullets are linked to risk management and mitigation. However, compliance with international security codes, piracy, and vessel, port and facility security are maritime political risk factors that are evaluated closer.

The following points substantiate the maritime political risk factor counter-piracy:

- Counter-piracy reviews and implementation
- Passage risk assessments and voyage planning
- Incident management and security awareness workshops
- Maritime hijacking response (Control Risk, 2011b)

These specifications of counter-piracy services are used to formulate maritime political risk indicators.

Control Risk's available information on the oil and gas industry is less specific than its available information on maritime security. Its services are divided into:

- Political and security risk analysis
- Business intelligence and investigation
- Security management
- Travel and personal security (Control Risk, 2011c)

The first service, *political and security risk analysis*, is relevant, but it does not give any indication about the actors and the actions it employs in its analysis, i.e. the information is irrelevant for the purpose of this thesis. The second service, *business intelligence and investigation*, is a generic political risk factor that is relevant for oil and gas companies, but is not a maritime political risk. However, three services are used as examples of this and one of them, *fraud investigation*[25], is relevant as an action. The third service it offers, *security management*, is relevant. Control Risk states that it offers 'technical security services (onshore and offshore) and sophisticated management of security strategy in places where security is linked to broader issues of social performance' (2011c). It does not give any examples that link security to broader social economic issues, but it does indicate that the level of security, onshore and offshore, can be measured by looking at some social economic issues. Social economic issues are used as a platform to identify the different actors that stem from these socio-economic issues. The fourth and final service, *travel and personal security*, is also relevant considering that personnel need to travel to and from the offshore facilities. There is also a need for onshore recreation facilities when

[25] Oil theft or bunkering is often done in collaboration with unfaithful employees and corrupt civil servants. Fraud investigation is therefore a risk mitigation strategy to counter the maritime political risk of oil theft or transportation of stolen oil at sea.

employees are off duty. The need to travel safely is included by formulating risk indicators for kidnapping.

Information from Control Risk is helpful in identifying several maritime political risk factors in addition to giving information on possible maritime political risk indicators. The following data from Control Risk is used later in this chapter to identify the relevant maritime political risk actors and actions:

- Compliance with international security codes
- Piracy, vessel, port and facility security
- Looking at broader social economic issues
- Travel and personal security
- Counter-piracy reviews and implementation
- Passage risk assessments and voyage planning
- Incident management and security awareness workshops
- Maritime hijacking response

The information available from Control Risk gives the impression of a company with a good understanding of political risk and risk mitigation.

3.4.3. BRS

BRS was established in 2007 and focuses on risks related to oil, gas and shipping companies, government agencies and humanitarian organisations operating in high-risk environments (BRS, 2011a). Its areas and issues of utmost expertise are Nigeria and the Niger Delta, and maritime security. BRS has risk briefings and risk reports available on its website. These available documents assess maritime security in Nigeria and the Niger Delta and offer outsiders a view on how BRS constructs a political risk report, what information is included and its method of sampling and presentation of data. These publications are a vital source of information to extrapolate to identify maritime political risk actors and actions. Three such reports: *Nigeria Maritime Security Briefing* (BRS, 2010a), *Security in the Niger Delta* (BRS, 2010b) and *Niger Delta Security Briefing* (BRS, 2010c) are analysed.

Nigeria Maritime Security Briefing gives many examples of maritime political risk actors and actions. The main maritime security factors are armed attacks/robberies or piracy outside territorial water. The number of incidents are presented and divided

according to region, distance from shore, vessel type, violence used, time of day, level of violence, kidnappings and the motivation of the attacker (BRS, 2010a: 4-7). Maps are used to indicate the location of the different incidents. The report concludes with a forecast of the next three months, including risk rating. In the three-month forecast[26] new maritime risk indicators are presented; the progress of the Nigerian amnesty and the Nigerian navy's limited capability to address the maritime challenges. The conclusion also links political discontent and grievances of the security of the oil and gas industry. Discontented groups target the oil and gas industry with the aim of decreasing the state's revenue (BRS, 2010a: 16-17). Sabotage and kidnapping of expatriates are proven methods used onshore and offshore. The last point highlighted from the conclusion is that the threats within Nigeria differ in manner, method, capability and motivation. This means that a maritime political risk analysis needs to include different scenarios and realities within the same region.

Security in the Niger Delta includes much of the same as the *Nigerian Maritime Security Briefing*. The main difference is that onshore as well as offshore incidents are listed and analysed. Another difference is that the latter provides a comprehensive analysis of news reports for the last months and their possible implications. The maritime political risks emphasised in this report are oil bunkering with powerful stakeholders, corruption within the police force and attacks on fishing vessels. Another issue that is noted is a 'trend in under reporting maritime security incidents in Nigerian waters', i.e. that available statistics only represent reported incidents and that the actual number of attacks is unknown (BRS, 2011b: 17).

The last available report from BRS is the *Niger Delta Security Briefing* (BRS, 2010c). This brief does not add any new information but supplements the two previous publications.

The following information is considered relevant for further study:

- Piracy and armed attacks
- Robbery, kidnappings and sabotage
- Oil bunkering
- Corruption within the police force

[26] July, August and September 2010.

- Under reporting of incidents
- Differentiation between criminals, political and community activists
- Elections and amnesty

A number of examples on how to measure the actors and actions are also highlighted and will be used later:

- Type of vessel attacks
- Distance from shore
- Level of violence during attacks
- What time of the day or night attacks usually happen
- Motives of the attacker

BRS has considerably more information available compared to the other political risk companies used in this thesis and that is why its information is used extensively throughout the thesis.

3.4.4. Risk Intelligence

Risk Intelligence provides consulting services to private and governmental clients on security threats and risks (Risk Intelligence, 2011a). Its specialty is analysing threats from and interaction between piracy, organised crime, terrorism, insurgency and military conflicts. Risk Intelligence publishes Strategic Insight[27] and operates MaRisk. According to its website, Risk Intelligence is a leader in the field of maritime security (Risk Intelligence, 2011a).

Risk Intelligence analyses maritime security threats holistically. This holistic perspective originates, 'firstly, in the type and origin of the involved organizations and then, secondly, in the type of criminal activity' (Risk Intelligence, 2011b). Its model is called the 'Four Circles' model and divides maritime security threats into four circles, namely piracy, terrorism, organised crime and insurgency. A maritime threat can be placed in one or more of these categories. Risk Intelligence provides general information of the four categories, including definitions, criminal acts, and how and why they are organised. This additional data is valuable in formulating risk actors and actions.

[27] Strategic Insight is a series of Maritime Security reports that Risk Intelligence publishes eight times a year. Strategic Insight offers in-depth analysis and discussions of relevant maritime security topics (Risk Intelligence, 2011g).

These four maritime risk actors are used from Risk Intelligence:

- Piracy
- Terrorism
- Organised crime
- Insurgency

3.5. The Maritime Political Risk Actors and Actions

This section arranges the information from the four political risk companies into maritime political risk actors and actions by constructing two tables. The first table uses the information extrapolated from the four political risk companies. The information is placed into ten general groups of maritime risks and management or mitigation strategies to give a better overview of the data compiled. These ten groups are used to separate information dealing with risk mitigation (*de facto* and insurance), facility security, perpetrators, human security, state capabilities, regional and international cooperation, environment and pollution, and others, i.e. it organises the information from the risk companies to make it easier to extrapolate maritime political risk actors and actions.

Table 1: Compilation of data from four risk companies

Compilation of data from four risk companies					
Category of Maritime Risk	Risk Companies				
		Aon	**Control Risk**	**BRS**	**Risk Intelligence**
	The perpetrating group	Terrorism Risk Management	Piracy	Differentiates between criminals, political and community activists; Piracy and armed attacks	Piracy; Terrorism; Organised crime; Insurgency
	Ship, port and facilities	Property Risk Control	Vessel, port and facility security	Sabotage	
	Human security	Kidnap and Ransom Insurance; Casualty Risk Control	Travel and personal security	Robbery and kidnappings of staff	
	State capabilities to promote maritime security			Corruption within the police force	
	International cooperation promoting maritime security		Compliance with international security codes		
	Environment and pollution	Environmental Risk Management			
	***De facto* risk insurances**		Counter-piracy reviews and implementation; Passage risk assessments and voyage planning; Incident management and security awareness workshops		
	Risk insurance	Claims Consulting, Errors and Omissions; Fire Protection Engineering			
	Others		Looking at broader social economic issues	Oil bunkering; Under reporting of incidents; Elections and amnesty; Type of vessels attacked; Distance from shore; Level of violence during attacks; What time of the day or night attacks usually happen; Motives of the attacker	

The next step is to formulate maritime political risk actors and actions based on the data in Table 1. The information that Table 1 exemplifies is a variety of risks and mitigation strategies. However, there is no common thread in the approach used by the risk companies, i.e. they do not deduct their risk solutions and indicators from the same risk factors. This thesis uses information from BRS and Risk Intelligence as the foundation for the latter maritime political risks to be deducted from. This is done because the available information from BRS and Risk Intelligence divides actors in different groups, i.e. Table 2 builds on the trend started by BRS and Risk Intelligence[28].

The 'Four Circles' model from Risk Intelligence serves as the foundation on which maritime actors are identified (Risk Intelligence, 2011b). Piracy, organised crime, terrorism and insurgency are the four groups of maritime insecurity used by Risk Intelligence. As the focus of this section is on identifying actors and actions, this thesis uses terrorists, organised criminals, community activists and political activists as the four motives behind maritime insecurity. The first two actors are taken from Risk Intelligence and the latter two from BRS. However, there are actors working to enhance and maintain maritime security and two such actors are included. This is done because actors with a negative influence on maritime security can only have this if the actors who in a normal situation should protect maritime security fail, i.e. negative actors only flourish if the positive actors give them the space to do so. The actors that should have a positive influence on maritime security are the state, through its navy, coast guard and any other institutions, and international cooperation. International cooperation is not an actor as such, but as section 2.8.2. illustrates, it is important to coordinate the efforts from different states, international organisations and private actors in order to maintain and enhance maritime security.

These six actors are analysed by looking at eight actions. The eight actions can be separated into six actions and two targets of actions. Piracy, armed attacks, oil bunkering, kidnappings, hijacking and corruption are the six actions used in the maritime political risk tool. The two targets of actions are port security and security of production rigs, platforms and fixed points that are vulnerable to action, i.e. the actions and targets often overlap but that aspect strengthens the maritime political risk

[28] Dividing risks into actors is probably common practice but BRS and Risk Intelligence are the only companies used in this thesis where this is done.

tool since it forces the user or maker of the maritime political risk tool to look at the same maritime political risks from different points of view.

Each of the boxes in the maritime political risk tool that represent the relationship between an actor and an action are grouped with the aspects that should be evaluated to understand their relationship. The actors and actions should be evaluated in their entirety to ensure they represent relevant actors and actions. The criteria measuring the relationship between each actor and action also need to be constantly evaluated. The criteria can be adjusted to make the subsequent analysis as close to reality as possible. The criteria used in Table 2 are explained below. Note that some of the criteria are used in many boxes and others in only one.

Motive: Refers to the reason for an actor to instigate an action. In relation to corruption it refers to the intention or incentives a public official has to be corrupt or to remain honest.

Frequency: Is how often an actor has made an attack within a certain timeframe.

Level of intensity: Is the level of violence an actor is known to use during an action.

Contact with foreign actors: Looks at whether an actor cooperates with or works for foreign actors.

Area of operation: Is the geographical area where an actor has been known to instigate action.

Navy: Is the capability of the navy. This criteria looks at the different state navies within the region, i.e. a state centric approach is used.

Coast Guard: Is the capability of the coast guard. This criteria looks at the coast guards in the states within the region, i.e. a state centric approach is used.

Communication and cooperation: How states, businesses and civil society correspond and collaborate within regional and international organisations and institutions.

History of cooperation: A state's history of fulfilling regional and international commitments.

Member of regional or international organisation: If the state is a member of regional and international organisations.

Target groups: The selected victims of kidnapping.

Law enforcement agencies: How law enforcement institutions operate, their capacity, history and reputation.

Corruption in public sector: If public officials participate in oil bunkering.

Information: How much information can illegal actors get from public officials and is this information easily accessible.

Public institutions with influence: Whether illegal actors corrupt public institutions.

Loyalty: To whom are public officials dedicated to.

Traditions: What is the state's tradition or culture when it comes to corruption?

Norms: What are the present customs in relation to corruption?

Ability to keep classified information classified: Are the state and public institutions able to keep classified information away from unclassified persons.

Motive to attack: What reasons does an attacker have to attack an installation or port?

Weakness: What is the limitation of an installation or port?

Communication and cooperation with foreign business: How does the state correspond and collaborate with foreign business to secure investments and public infrastructure.

The six maritime political risk actors are conceptualised by looking at eight maritime political actions, i.e. the maritime political risk of piracy is conceptualised from the point of view of all six actors. The following table presents the framework for the maritime political risk tool. Each of the boxes are conceptualised by criteria that highlight what should be elaborated in Chapter Four.

Table 2: Maritime Political Risk Tool

Maritime Political Risk Tool							
	Actors of Maritime Political Risk						
Actions of Maritime Political Risk		**Terrorists**	**Organised Criminals**	**Community Activists**	**Political Activists**	**State's Maritime Capabilities**	**Regional and International Cooperation Between States**
	Piracy[a]	Motive Frequency Level of intensity Contact with foreign actors[b] Area of operation	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Navy Coast Guard	Communication and cooperation History of cooperation Member of regional or International organisations
	Armed Attacks[c]	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Motive Frequency Level of intensity Contact with foreign actors Area of operation	Navy Coast Guard	Communication and cooperation History of cooperation Member of regional or International organisations
	Oil Bunkering[d]	Motive Contact with foreign interests Area of operation	Motive Contact with foreign interests Area of operation	Motive Contact with foreign interests Area of operation	Motive Contact with foreign interests Area of operation	Law enforcement agencies Corruption in public sector	Communication and cooperation Member of regional and international organisations
	Kidnapping	Motive Level of intensity Frequency Target group Area of operation	Motive Level of intensity Frequency Target group Area of operation	Motive Level of intensity Frequency Target group Area of operation	Motive Level of intensity Frequency Target group Area of operation	Law enforcement agencies	Communication and cooperation
	Hijacking[e]	Motive Level of intensity Frequency Target group Area of operation	Motive Level of intensity Frequency Target group Area of operation	Motive Level of intensity Frequency Target group Area of operation	Motive Level of intensity Frequency Target group Area of operation	Law enforcement agencies Communication with and oversight over foreigners	Communication and cooperation Treaties
	Corruption	Motive Information Public institutions with influence	Motive Information Public institutions with influence	Motive Information Public institutions with influence	Motive Information Public institutions with influence	Loyalty Tradition Norms Ability to keep classified information classified	Communication and cooperation Loyalty Ability to keep classified information classified
	Security of permanent offshore infrastructure[f]	Motive to attack Weakness	Motive to attack Weakness	Motive to attack Weakness	Motive to attack Weakness	Communication and cooperation with foreign business Law enforcement agencies	Cooperation and communication
	Port Security[g]	Motive to attack Weakness	Motive to attack Weakness	Motive to attack Weakness	Motive to attack Weakness	Communication and cooperation with foreign business Law enforcement agencies	Cooperation and communication

a The difference between piracy and armed attacks is that piracy happens more than twelve nautical miles from shore, whereas armed attacks happen less than twelve nautical miles from shore (See section 2.5.1. Piracy, Armed Robbery, Theft and Maritime Terrorism).

b Foreign actors refer to: foreign states, foreign criminal syndicates, ethnic groups, international organisations (legal or illegal), international business and any other actors outside the state.

c See section 2.5.1. for conceptualisation of armed attack. Also see armed robbery at sea.

d See section 2.5.2. for conceptualisation of oil bunkering.

e Hijacking refers to a stolen vessel.
f This includes fixed installation offshore that is not a vessel. Piracy and armed attack are only done from a vessel to another vessel, i.e. attacks on oil platforms are not included in those points. A threat, be it an armed attack, kidnapping, sabotage, oil bunkering or any other attack on a fixed offshore installation from sea or through air.
g Maritime threats to a port or threats that affect the port. Be it a threat against ships at anchorage, berthing, in sailing or on crew inside the port.

In the maritime political risk tool it is clear that some of the different actors and actions overlap. This is done intentionally and is considered a strength based on the belief that they are often interrelated on some level[29] in reality.

The maritime political risk tool is used by conceptualising and mapping each of the brackets. Each maritime political risk actor and action will be illustrated on a map, i.e. for the GoG it is possible to see on a map where piracy is prevalent in addition to which actors are involved. There will not be an overall risk rating for the maritime political risk tool; that defies its purpose of conceptualising and mapping the plurality of probable risks.

The strength of this maritime political risk tool is that it seeks to conceptualise and map the identified maritime political risks in a manner that makes risk management and mitigation successful. An investor can use the conceptualisation and mapping to understand and forecast probable risks. This maritime political risk tool should also be updated regularly to ensure that the investors' management and mitigation strategies are suitable for *real* risks, i.e. the maritime political risk tool needs to be updated regularly if the conceptualisation and mapping is to reflect the reality.

3.6. Conclusion

This chapter constructs a maritime political risk tool by analysing available data from four political risk companies. The maritime political risk tool consists of six actors and eight actions that are analysed together in Chapter Four. Data from the contextualisation part of Chapter Two is used with the data from political risk companies in identifying and conceptualising the six actors and actions.

The maritime political risk tool does not have an overall risk rating but each box concludes with a qualitative risk rating. The idea is to make a map in Chapter Four

[29] I.e. the actor has help in some form from another actor in the region. Also the actor of one group can be part of another group at an earlier or later stage. Furthermore, personnel within an actor contributing to maritime security may cooperate with an actor who contributes to maritime insecurity.

that illustrates where the different actors are active in addition to what actions they have committed in their known area of operation. This provides investors with information on maritime political risks in the GoG that can be easily used for risk management and mitigation.

Chapter Four: Testing the Maritime Political Risk Tool

4.1. Introduction

This chapter uses two actors and two actions to illustrate how the maritime political risk tool developed in the previous chapter can be practically utilised. Only two actors and two actions are used due to space limitations.

Organised criminals and a state's maritime capabilities are chosen as the two actors, and armed attacks and oil bunkering are chosen as the two actions of maritime insecurity. These two actors and two actions are analysed individually and a map is made for each of them. In section 4.4 a map illustrates the above-mentioned actors and actions together.

The final section of Chapter Four evaluates the findings and usefulness of the maritime political risk tool.

4.2. Generic Guideline Valid for Each Actor and Action

This small section sets a few generic guidelines that are used to guide the sections on organised criminals, oil bunkering, armed attacks and port security.

The first relates to the data timeframe involved. If a map is to be relevant it should only include up to date information and the information should be taken within a pre-determined timeframe. This analysis uses information from 1 January 2010 to 1 August 2011.

4.3.1. Maritime Political Risk Actor: Organised Criminals

4.3.1.1. Action: Piracy

Pirate attacks are increasing (ICC, 2011f). The ICC notes that West Africa is affected by well-organised and violent attacks on vessels[30]. Considering the Nigerian amnesty granted in 2009, the number of attacks committed by political and community activists has decreased to almost zero (BRS, 2010d: 5-6). This has not helped to create maritime security since cash-driven piracy has increased (AFP, 2011a). This

[30] Criminals in the Niger Delta are known to be unpredictable and are often on drugs. It is therefore difficult to assume their behaviour from a rational point of view (BRS, 2010d: 7).

indicates that organised crime and personal profit is a growing motivation for piracy in the GoG.

Piracy is committed beyond 12 nautical miles from shore and as a result it has only been registered in a few areas, usually in Nigeria. BRS has recorded the strike distance in Nigeria and the maximum strike distance outside Lagos as 20 nautical miles and attacks have been reported as far out as 55 nautical miles out of the Niger Delta[31] (BRS, 2010a: 6). When looking outside of Nigeria it is difficult to find a recorded strike distance. However, sporadic attacks have been reported in Ivory Coast and Cameroon. The most recent development has been in Benin; a state with only one recorded incident for the period January 2006 – December 2010 has experienced 12 acts of piracy since March 2011 (ICC, 2011f).

It is assumed that acts of piracy include cooperation with international interests because it can be linked to the sale of stolen goods.

4.3.1.2. Action: Armed Attacks

Armed attacks are more prevalent than piracy since it is conducted within 12 nautical miles from shore. The motivation for armed attacks is the same as for piracy. Organised crime and personal profit are the main motivators behind armed attacks.

The GoG has three ports that have experienced more than four incidents in 2010, namely Lagos, Abidjan and Douala (ICC, 2011b). In the first six months of 2011, Lagos experienced three incidents and Cotonou experienced 11 incidents. Incidents of armed attacks outside ports are mainly recorded in Nigeria, Cameroon and Ivory Coast. In Nigeria, this is especially true for the Niger Delta and more locally around Calabar, Bonny River (BRS, 2010b: 6). It is also worth mentioning that local fishermen are the hardest hit and they claim to experience an average of six attacks a week (BRS, 2010b: 7).

Local criminals mostly conduct armed attacks. However, the more organised the crime the more likely it is to have contact with international stakeholders, be it within the region or on other continents.

[31] Note that not all attacks are reported.

4.3.1.3. Action: Oil Bunkering

Oil bunkering is a phenomenon prevalent in the oil producing regions of Nigeria. The motivation behind it is personal enrichment but it is also used by political and community activists as a way to generate funds.

Oil bunkering is, according to BRS, at an all-time high (BRS, 2010d: 10). Oil bunkering is a very lucrative trade that enables the criminals to buy high-end equipment and bribe navy and army officers as well as politicians.

International buyers and stakeholders drive the trade in illegal oil. It has so far mainly been a phenomenon in the Niger Delta, but growing production in Ghana, Equatorial Guinea and Cameroon present new opportunities for the criminal syndicates involved.

4.3.1.4. Action: Kidnapping

Kidnapping was a popular action used by political and community activists to further their demands in the Niger Delta (AFP, 2011a). However, today organised criminals use it as an action for ransom and personal profit.

Criminals who use kidnapping as an agent for personal profit are more likely to treat their hostage(s) well. Their future ransom depends on the wellbeing of the hostage(s). However, criminals in a challenging situation can also use kidnapping as an agent to make a statement or as a bargaining tool with the government; the safety of the hostage(s) depends on the criminals' situation.

Kidnapping is prevalent in the Niger Delta and more than 50 people were abducted in the last four months of 2010 (AFP, 2011a). The captives included foreign and local oil workers, children and journalists.

Kidnapping is most prevalent onshore in the Niger Delta, but offshore incidents have been recorded. Kidnappings offshore have so far not been a recorded problem elsewhere in the GoG.

4.3.1.5. Action: Hijacking

Hijacking is a constant threat in areas in the GoG, but there are not many incidents. This is for the simple reason that armed attacks and piracy means that the ship's crew is robbed and the cargo stolen before they leave the ship. To hijack a ship it is

necessary to cooperate with a bigger organisation that can negotiate a ransom or sell huge quantities of the ship's cargo. However, this takes time and it increases the chance of the local navy or other law enforcing agencies reacting.

Five of the attacked vessels in Benin were hijacked and this stands out as the area with the highest lack of security in this regard for the moment (ICC, 2011f). The target group are vessels carrying cargo that can be sold, including vessels transporting oil products (Smith, 2011). The organised criminals behind armed attacks and hijackings in Benin are probably Nigerians (Smith, 2011). This makes it a true international problem considering that attacks happen in one state, committed by criminals in a neighbouring state, and the goods are sold to a third state.

4.3.1.6. Action: Corruption

Organised crime is profitable because of the prevalence of corruption in the GoG. The public officials receive low wages and have little prospect of a brighter future so they are vulnerable to bribery. This has created the situation where organised criminals get access to information they want, be it from public officials or military officers.

The trade in stolen oil is also directly related to corrupt politicians and senior navy commanders (Nodland, 2010: 201), i.e. corruption follows money and more oil production in other areas in the region creates the possibility of unfaithful state officials elsewhere.

4.3.1.7. Action: Security of Permanent Offshore Infrastructure

Permanent offshore infrastructure has been attacked in the Niger Delta and in Cameroon close to the border with Nigeria. These attacks are committed close to the shoreline and at night (BRS, 2010d: 6).

4.3.1.8. Action: Port Security

A vessel is most vulnerable at low speed, while berthing or at anchorage, i.e. when a vessel is either approaching or is in a port. Abidjan, Lagos, Cotonou and Douala are ports in the GoG that have experienced many incidents over the last eighteen months.

Incidents are likely to have happened in other ports as well, but the ICC only publishes on ports with more than four incidents. However, ports are vulnerable and they present organised criminals with many targets.

Map 1: Organised crime

4.3.2. Maritime Political Risk Actor: State's Maritime Capabilities

4.3.2.1. Action: Piracy

The navies in the GoG are underfunded, untrained and ill-equipped (Vogel, 2009: 1). This is not unexpected considering the high costs of maintaining a well-equipped navy. The states in the GoG are relatively poor and São Tome and Principe and Liberia are the only states that have a coast guard in the GoG (Vogel, 2009: 1). Nigeria is the only state that has the funding to establish and maintain a well-equipped and operational navy.

Nigeria has navy vessels that can operate on high seas (Nodland, 2010: 201). The Nigerian navy has improved in recent years in terms of training, equipment and readiness (BRS, 2010d: 15). A recent statement from the Nigerian navy about clearing the Bakassi Peninsula of militants indicates both the capability and ability to cooperate with state authority in Cameroon (Peters, 2011).

The overall situation in the GoG is that the navies and coast guards are ill-equipped to deal with piracy.

4.3.2.2. Action: Armed Attacks

Armed attacks are committed within 12 nautical miles from the shoreline and it is therefore possible to patrol this by using small vessels, i.e. the investment in vessel maintenance, training and equipment are lower compared with larger navy vessels. However, this also means that actors involved in armed attacks can use smaller vessels as well.

The situation in Nigeria indicates that the navy is struggling in its effort to minimise maritime security. The waterways in the Niger Delta and the entire Niger Delta coast line is still one of the most dangerous areas to operate offshore, even after the Nigerian navy has tried to combat these actors for years.

The recent surge in armed attacks in Benin and the high number of incidents in ports throughout the region indicate that the GoG is not prepared for combating maritime insecurity. What seems to be the biggest challenge is using the resources they have available. Nigeria apparently has radars with Automatic Identification Systems (AIS) (Airahuobhor, 2011). If such installations are used efficiently in cooperation with navy vessels their operational capabilities will be significantly increased. However, poorly trained operators, slow communication between units and corrupt officers create an overall situation where armed attacks prevail with limited opposition from the navy or coast guard.

4.3.2.3. Action: Oil Bunkering

Oil bunkering is a phenomenon in Nigeria and its law enforcement agencies are struggling to hinder oil bunkering.

Small-scale pilfering is done in many communities throughout the oil producing regions of Nigeria (Asuni, 2009: 1). This makes oil bunkering a daily part of the life of many Nigerians. Considering that this is only for local consumption it is not done on such a big scale as the two other ways that oil is stolen.

Large-scale tapping of pipelines is a big problem where communities, militants or criminals tap pipelines and transport it to vessels ready to bring the oil to the

international market. The Nigerian army, in cooperation with the Nigerian navy, has raided many illegal refineries in the last year (BRS, 2010d: 12). They have also intercepted vessels used to transport stolen oil and arrested those involved. Regardless of this, there are few signs of decreased activity in tapping oil pipelines on a large scale.

The final way to steal oil is to lift more oil without registering it. It is most likely where the biggest amount of stolen oil comes from, but the numbers and facts are unknown. It is also possible that this is done in other states beside Nigeria, but there is no data to support this theory. The oil companies can put a stop to this situation; corruption enables this practice to thrive.

4.3.2.4. Action: Kidnapping

Nigerian authorities are working hard against kidnapping. The Nigerian challenge lies in a corrupt and inefficient police force. Clayton Consultants Kidnap Risk Brief 2010 shows that expats in Nigeria and the oil and gas industry experienced 93 incidents of kidnappings in 2009 (Clayton Consultants, 2010: 9). This means that only one out of ten kidnapped individuals in Nigeria are expats and that the security measures taken by the oil and gas industry have protected their workers to a greater extent than before. The risk of kidnapping is greatest in the Niger Delta, with insecurity in Lagos and Abuja increasing.

4.3.2.5. Action: Hijacking

The navies and coast guards are ill equipped to prevent hijackings. The states in the region have navies and armies but their capabilities are limited. This means there are few safe havens in the GoG compared to Somalia. But some regions within the GoG experience a high level of maritime insecurity and this indicates that several regions function as safe havens in reality.

4.3.2.6. Action: Corruption

All states in the region are relatively poor and public salaries are subsequently low. The flow of money from oil bunkering, drug smuggling, theft and robbery make it tempting for many public officials to earn extra money. This is not necessarily a sign that the worker is dishonest but rather that the situation is desperate. Officers in the

navy and army, politicians and high ranking public officials are all aware of the opportunities and many are tempted by the easy money they can make (Nodland, 2010: 204), i.e. the GoG is an environment well-suited for organised crime and other illegal actors.

4.3.2.7. Action: Security of Permanent Offshore Infrastructure

The vast majority of attacks on permanent offshore infrastructure have been in Nigeria and its neighbours, Cameroon and Equatorial Guinea. The incidents in Cameroon and Equatorial Guinea can be traced back to groups operating from Nigeria.

The Nigerian navy and army are cooperating with MNOCs to secure permanent installations. Patrolling the sea, deployment of Nigerian soldiers on permanent installations and close communication are some of the measures taken to secure oil and gas production. However, these measures are not taken on all installations and where they are implemented it is not always done in an efficient manner.

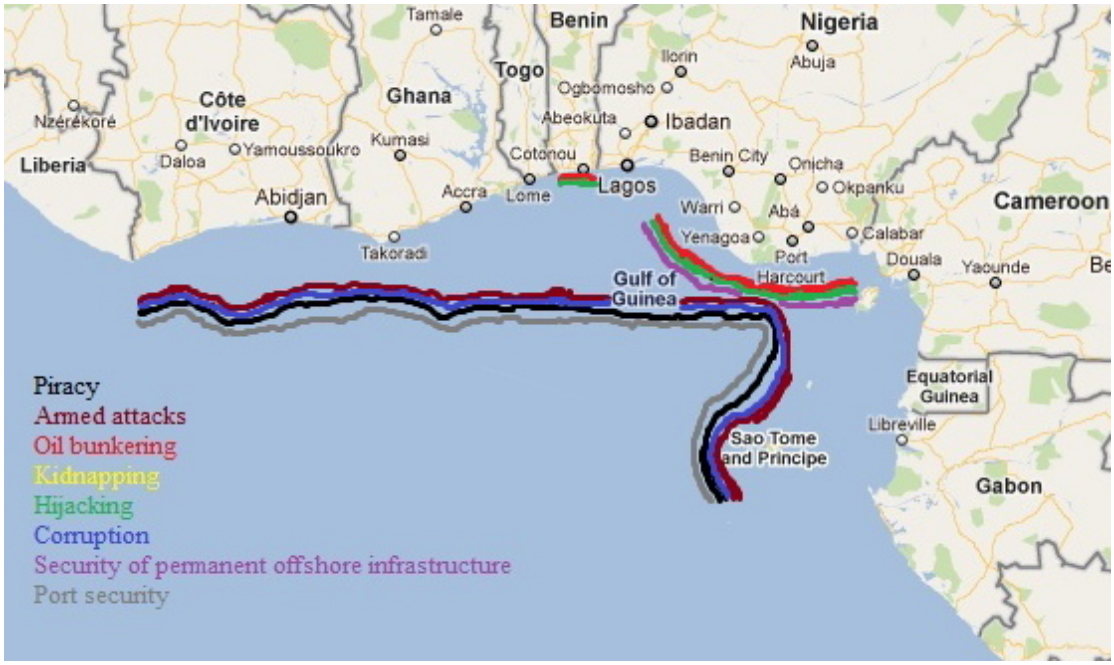
The situation in the GoG, except for the Niger Delta, Cameroon and Equatorial Guinea, has so far been more secure, but this can change as offshore oil and gas production increases.

4.3.2.8. Action: Port Security

Ports in the GoG are experiencing armed attacks, robberies and theft[32]. This is true for the whole region and not only Nigeria. The ports in Abidjan, Cotonou, Lagos and Douala are experiencing the most incidents, i.e. some of the biggest and most used ports in the region are the hardest hit. There is no information available on smaller ports to make a comparison. The other challenge is that ship-owners avoid reporting incidents.

[32] See appendix B.

Map 2: State maritime capabilities



4.3.3. Armed Attacks

4.3.3.1. Actor: Terrorists

The data in this thesis does not indicate armed attacks in the GoG committed by terrorists and terrorists are therefore excluded from the map.

4.3.3.2. Actor: Organised Criminals

Organised criminals are involved in armed attacks throughout the region; their motivation is based on an expectation of personal profit.

The frequency of attacks varies in the region. Areas most prone to armed attacks by organised crime are the ports in Abidjan, Lagos, Cotonou and Douala, in the Niger Delta, Cameroon and Ivory Coast. States like Togo, Equatorial Guinea, Ghana and Liberia have also experienced incidents of armed attacks. Most attackers use firearms and crew have on several occasions been injured, and in some instances murdered.

Organised criminals can operate alone or they can operate in cooperation with foreign actors. In cases where they seek to steal specific cargo it is a necessity that it is done with international actors willing to buy the goods.

4.3.3.3. Actor: Community Activists

Community activists operated actively in the Niger Delta until amnesty was granted in 2009. They have since engaged less in unlawful activities like armed attacks. However, if the amnesty and peace process with the Nigerian government fails, it is likely their activities will resurge.

The Bakassi Peninsula community activists are active today; however, these activists meet massive opposition from both the Nigerian and Cameroonian navy and army. In this regard, the Nigerian navy has stated that it intends to clear the Bakassi waterways of militants (Peters, 2011).

4.3.3.4. Actor: Political Activists

Political activists operated actively in the Niger Delta until amnesty was granted in 2009. They have since engaged less in unlawful activities like armed attacks. However, if the amnesty and peace process with the Nigerian government fails it is likely their activities will resurge.

The Bakassi Peninsula political activists are active today; however, these activists meet massive opposition from both the Nigerian and Cameroonian navy and army. In this regard, the Nigerian navy has stated that it intends to clear the Bakassi waterways of militants (Peters, 2011).

It was expected that activity from political activists in Nigeria would increase because of the national elections earlier this year; however, this never materialised.

4.3.3.5. Actor: State's Maritime Capabilities

The navies in the GoG are generally non-existent, poorly training and equipped with unmotivated sailors. São Tome and Principe and Liberia are the only states that have coast guards in the GoG. The situation is a slightly different for Nigeria but the Nigerian navy does not have the capacity to patrol all its waterways or its entire shoreline. It is unlikely that the situation for the region's navies will change considering the limited budget, corruption, organisation and communication capabilities.

4.3.3.6. Actor: Regional and International Cooperation between States

States in the GoG have showed interest and initiatives in cooperation with other states in the region and internationally. This is positive but it does not change their limited capabilities.

MOWCA and ECOWAS are two regional organisations that make communication between states possible. MOWCA also coordinates policies related to maritime security, i.e. the states have a regional framework to coordinate their maritime activities when their capabilities improve.

States in the GoG also cooperate with AFRICOM and states in the EU when it comes to capacity building and training.

Map 3: Armed attack

4.3.4. Oil Bunkering

4.3.4.1. Actor: Terrorists

No data used in this thesis indicates that terrorists are involved in oil bunkering in the GoG.

4.3.4.2. Actor: Organised Criminals

Oil bunkering has been and is an activity where organised criminals are involved. They are motivated by the prospect of making more money than they are likely to make in any other way.

Large-scale tapping of pipelines and excess lifting of crude oil depends on cooperation with buyers abroad, i.e. oil bunkering is a criminal activity with an embedded international aspect. The situation in Nigeria is that foreign stakeholders use local criminals. The majority of the money goes to the foreign stakeholders, whereas the local criminals are in danger of being caught. These have nonetheless made Nigerian criminals immensely rich and given them the funding to buy weapons, contacts and soldiers to protect their businesses. There is no information indicating this is a phenomenon outside the Niger Delta.

The recent hijacking of oil tankers in Benin brings a new aspect to the trade in stolen oil. The cases in Benin show that criminals hijack oil vessels and transfer some of the oil to a separate vessel (Smith, 2011). It is not oil bunkering per se but it is stealing oil, and is likely committed by criminals who also participate in oil bunkering.

4.3.4.3. Actor: Community Activists

Community activists in Nigeria were actively involved in large-scale oil bunkering before the granting of amnesty in 2009. Those who continued with large-scale oil bunkering after being granted amnesty in 2009 are motivated by personal profit rather than community prosperity. Communities in the Niger Delta are still involved in small-scale tapping of pipelines for personal use.

For the moment, community activists have little involvement in oil bunkering in a commercial sense, i.e. contact with foreign interests is limited. However, this may soon change since many of those involved in oil bunkering can, through organised crime, change their motives and fall under community activists.

4.3.4.4. Actor: Political Activists

Political activists in Nigeria were actively involved in large-scale oil bunkering before the granting of amnesty in 2009. Those who continued with large-scale oil bunkering since are motivated by personal profit rather than for political reasons. Nonetheless, it

is assumed that high-ranking public officials and politicians are stakeholders in the trade of stolen oil, but their motive is considered personal rather than political.

4.3.4.5. Actor: State's Maritime Capabilities

The Nigerian army and navy are closing down illegal oil refineries but they will not be able to close all of them; their capabilities are not sufficient and they do not have much support from local communities in the Niger Delta. This combination makes it a challenging task. Another aspect is that corruption encompasses all stakeholders in oil bunkering and this includes politicians, public officials, and officers in both the army and the navy, i.e. many who are supposed to be working against oil bunkering are profiting from it in reality.

Limited maritime capabilities are therefore not the main state challenge in combating oil bunkering. The main challenge is corruption within the public sector combined with little cooperation and trust within local communities in the Niger Delta region.

4.3.4.6. Actor: Regional and International Cooperation between States

MOWCA and ECOWAS are regional organisations that simplify communication between states in the GoG. However, they have so far neither contributed to hindering oil bunkering in Nigeria nor deterring stakeholders from neighbouring states' involvement.

The main challenge is a lack of interest in global organisations like the UN. The buyers of stolen oil are not based in Africa, but in the US, EU or Asia. Big shipping companies transport the oil. These major stakeholders continue without fear of being caught and as a result it is unlikely that oil bunkering in the Niger Delta will stop, i.e. Nigeria does not receive international support in stopping those involved, and the main stakeholders are not in Nigeria, and Nigeria lacks the capacity to stop them (Smith, 2011).

Map 4: Oil bunkering

4.4. Maps Highlighting Areas with Maritime Political Risks within the GoG

Map 5: The risks from organised crime, state maritime capabilities, armed attack and oil bunkering

4.5. Evaluation of Findings and the Usefulness of the Maritime Political Risk Tool and Maps

The process of applying the maritime political risk tool to the GoG meets several practical challenges. The overall impression is that a maritime political risk tool that conceptualises and maps the maritime political risks is valuable for any investor in the GoG.

A brief evaluation, with recommendations, is made for each actor and action used in Chapter Four, the usefulness and applicability of maps and the maritime political risk tool as a whole.

Organised criminals: There were two main challenges in conceptualising organised criminals, namely finding incidents where organised criminals were involved and to attach it to a geographic location. The latter challenge was the reason for making a simple map. It was not possible to find enough detailed data on organised criminals to be more specific. The Ivory Coast is an ideal example of why this was done as it experienced five incidents of armed attacks in the last eighteen months. The exact location of these incidents should have been marked on the map but since this was not possible it is necessary to indicate that the whole coastline to the Ivory Coast is problematic. This is a limitation of the data used in the maritime political risk tool and not the maritime political risk tool itself.

Another weakness is that data on armed attacks and piracy is taken from the ICC. However, the ICC does not differentiate between armed attacks and piracy, i.e. it does not indicate if the recorded incidents took place within twelve nautical miles from shore or not. This means that the two actions, piracy and armed attacks, are evaluated using data that does not differentiate between these two actions. It also means that it, through the data used, is not possible to indicate how far out criminals in different areas in the GoG are capable of striking. This information is only available for Nigeria through BRS publications.

Organised criminals are active in oil bunkering in the Niger Delta but besides those statements there is little information available on it. In Benin, organised criminals have hijacked several oil vessels and sold some of the oil they carried. Little information is known about kidnapping outside the Niger Delta.

Corruption has a negative influence on maritime security in the GoG, but making a map that illustrates this proved difficult. A closer evaluation of institutions in each state would be a good way of doing it; this can then be illustrated on an interactive map.

Information on port security comes from the ICC. The weakness with this is that it only presents data on ports experiencing more than four incidents in a year or three incidents in six months, i.e. there is no data on ports that have less than four attacks on an annual basis. This data needs to be sourced. Port security should also be illustrated on a more interactive map.

The overall impression of the conceptualisation and mapping of organised criminals is that it is useful. It clearly indicates that organised criminals can use different actions, but that not all actions are used everywhere.

State's maritime capabilities: Mapping this actor played out as intended. Conceptualising state's maritime capability went well but translating this to a map proved challenging. The map should include data on all states in the region; the size of the navy, coast guard, emergency numbers, communication with neighbouring states, to mention a few. It was not possible to make a thorough enough qualitative research on each state and mapping is consequently generic.

This is clearly indicated on the map where the whole region is indicated for a state's maritime capabilities, this made it seem as if no state in the region has good maritime capabilities.

The overall impression of this conceptualisation and mapping is that it has good potential and that it is relevant. However, the approach needs to change in order to make a conceptualisation and map that reflects the reality in each state and offer valuable information.

Armed attacks: Data on armed attacks was dependent on the ICC. The challenge with this is that it does not differentiate between armed attack and piracy, i.e. what is presented here as armed attacks can in reality fall under piracy and vice versa. Data here is more specific for Nigeria because of reports from BRS. This shows that the right information is available if it is gathered systematically. Once again a more interactive map could include specific information on different crime syndicates,

community activists, political activists and on the state's capabilities or lack of capability in preventing armed attacks.

Oil bunkering: Oil bunkering is only referred to as a phenomenon in the Niger Delta region. However, there is no information confirming or denying that excess lifting of crude oil happens in other oil producing states in the GoG. The data accessible related to oil bunkering is generic. It presents a brief overview of the situation, but it can be improved significantly if more information is systematically gathered over time.

Maps: The maps illustrate in a simple way the maritime political risks in the GoG. This approach to political risk analysis is useful. Investors can see relevant risks illustrated on a map. However, by using interactive maps it is possible to include more information, thereby improving the quality of the map. In this way the investor gets a better picture of the situation without a conclusion focusing on merely rating the risks.

Overall impression of the usefulness and applicability of the maritime political risk tool: The first impression is that this maritime political risk tool can contribute positively in improving management and mitigation strategies. Conceptualising and mapping the risks gives any investor a good understanding of the situation that can be used to manage and mitigate maritime political risks. Testing the maritime political risk tool showed its potential as well as its complexity. The complexity lies in the substantial amount of information that needs to be found and processed before it is translated onto a map.

The second impression is that the maps need to be interactive. This is not a surprise, but it becomes clear when making maps that are not interactive. However, simple maps can be useful when the focus is on an aspect or if only a small issue needs to be illustrated.

4.6. Conclusion

In the end, testing is the way to uncover strengths and weaknesses; this is true for this maritime political risk tool. The brief conclusion is that conceptualising and mapping maritime political risk is a good beginning for managing and mitigating risks, i.e. it illustrates the nature of a risk. Knowing the nature of a risk is the first step in

managing and mitigating risks. However, testing the tool identified some aspects of the process of using the maritime political risk tool that can be improved.

The first identified aspect is that data from the region needs to be gathered and organised systematically down to the smallest detail. This is not possible for a Master's thesis and the maritime political risk tool largely uses generic data. Following on this it is also clear that the criteria used in the various boxes need to be more specific and to a certain degree measurable.

The second identified aspect is that maps need to be interactive. However, these simple maps illustrate the usefulness of mapping maritime political risks. In this way the maps serve their purpose.

Testing the maritime political risk tool shows its usefulness as a starting point for investors whose aim is to identify, manage and mitigate risks. Updating the maritime political risk tool regularly would also identify changes in the nature of the risks. These changes can then simultaneously be included in risk management and mitigation strategies. To base the maritime political risk tool on actors and actions, and the interaction between them, seems to be a practical way of conceptualising, mapping, and understanding maritime political risks.

Chapter Five: Conclusion

5.1. Introduction

Maritime security for the offshore oil and gas industry is a recurring issue, especially in the GoG. Newspaper articles, journal articles and books related to the industry all highlight threats of piracy, kidnappings, armed attacks, hijackings and more. However, these sources only look at a few aspects of maritime security. Individually they describe aspects of the nature of maritime security in the GoG. This is sufficient to understand aspects of the situation. However, to manage and mitigate maritime political risk it is important that the decision-maker understands as many aspects of the situation as possible, in addition to the complexity of the interconnections between the different aspects. This thesis aimed to make a maritime political risk tool that conceptualises and maps all the aspects of maritime political risk with the intention of providing decision-makers with the best possible foundation to make management and mitigation strategies on.

A traditional political risk analysis gives the investor a risk rating. However, rating the maritime political risk does not necessarily indicate the nature of the risk. The rationale behind making a maritime political risk tool that conceptualises and maps the maritime political risk for the offshore oil and gas industry in the GoG is that it allows a more comprehensive framework to base management and mitigation strategies on.

Political risk is based on the relationship between politics and economics. The political risk stems from political actors and influences economic actors. These actors use actions, both intentionally and sometimes unintentionally, to further their gain, be it political, financial, personal or otherwise. These actions, in turn, affect other actors and prompt responses from them. In maritime security, when this response is applied, in the GoG it is clear that actors with a negative impact on maritime security act on the belief of either political or economic gain, i.e. that informal and illegal activity is a product of a certain political economic context.

The maritime political risk tool constructed in this thesis is based on the theory of political risk and information from four political risk companies. These four

companies all offer services to investors in maritime security and for the oil and gas industry.

This concluding chapter begins with a summary of the thesis and is followed by looking at the research questions and the extent to which they have been answered. The section is followed by recommendations for further research. The last section concludes the chapter and the thesis.

5.2. Thesis Development

Chapter One introduced the thesis topic and the problem statement. It then went on to describe the research design, methodology used, the research question, limitation and delimitations as well as the literature review. Chapter One introduced the core concepts, theory and context, and created a link between them. After reading Chapter One the reader should have an understanding of the thesis progression.

Chapter Two is divided into two main sections. The first section presented the theoretical framework, an extensive literature review and the conceptualisation and operationalisation of key concepts used in the thesis. This section gave the reader a strong understanding of political risk, maritime security and the offshore oil and gas industry. The second section placed the above-mentioned concepts within the GoG context. This contextualisation is generic at first before it is placed within the GoG. After reading Chapter Two the reader should have an understanding of the relevant theory, concepts and contexts that Chapter Three and Chapter Four are built on.

Chapter Three analysed information from four political risk companies: Aon, Control Risk, BRS and Risk Intelligence. This information is used in conjunction with the theory outlined and context provided in Chapter Two to create the maritime political risk tool. Information from political risk companies is used because these companies provide management and mitigation strategies to the offshore oil and gas industry and they know what risks are relevant, i.e. they have worked with the offshore oil and gas industry and have an intimate knowledge about the maritime political risks they seek to manage and mitigate.

In Chapter Four, the maritime political risk tool created in Chapter Three is tested by applying it to the offshore oil and gas industry in the GoG. Due to space constraints it was only possible to test two maritime political risk actors and two maritime political

risk actions. After testing the maritime political risk tool a brief evaluation was made where strengths of the tool were highlighted and aspects to be improved were identified.

5.3. Answering the Research Questions

The main research question that guided this thesis was "Can conceptualising and mapping of the maritime political risks for the offshore oil and gas industry improve management and mitigation strategies?" This research question was followed by two sub-research questions. The first sub-research question was "Who are the relevant actors in maritime political risk in the GoG?" The second sub-research question was "What actions do the identified actors use that have an impact on maritime political risk in the GoG?"

Identifying the relevant actors and actions was done in two ways. The first was by analysing information from the four political risk companies and the second was by contextualisating the topic in Chapter Two. In this way, six maritime political actors were identified, as well as eight maritime political risk actions. These identified actors and actions make up the two axes in the maritime political risk tool.

The maritime political risk tool is made to illustrate how conceptualising and mapping maritime political risks for the offshore oil and gas industry in the GoG can improve management and mitigation strategies, i.e. how understanding the nature, complexity and interdependence of the various actors and actions can help develop management and mitigation strategies. The simple answer to the research question is yes: conceptualising and mapping of maritime political risks for the offshore oil and gas industry in the GoG can improve management and mitigation strategies.

For conceptualising and mapping of maritime political risks to be relevant it is important that both the conceptualisation and mapping is constantly updated. The nature of the actors and actions changes over time, and at the same time new actors and actions can appear. Political risk is not static and any political risk analysis, rating, tool or report needs to highlight this.

5.4. Recommendations for Further Research

Political risk is a field constantly evolving. The relationship between politics and economics is complex and when an industry specific analysis is made there are numerous aspects to consider. However, this thesis has two recommendations that can build on the findings of this thesis.

The first recommendation is to test the entire maritime political risk tool. This thesis was only able to test two of the maritime political risk actors and two maritime political risk actions due to space constraints. However, this was enough to illustrate the relevance this maritime political risk tool can have for risk management and risk mitigation, though it is clear that some aspects of the maritime political risk tool can be improved.

The first aspect to be improved is the quality of the map; by making it as interactive as possible and including more data. The data on different criminal groups can then be included as well as each reported incident of piracy, the capabilities of the different states' navies and more. Another aspect to be improved is the collection of specific information. The testing of the maritime political risk tool mainly used generic information due to space and time constraints and the lack of resources to do in-depth research. The in-depth research is necessary for a more specific conceptualisation of each box in the maritime political risk tool. If more criteria are created for each box the subsequent maps will be more specific, relevant and have better use in management and mitigation strategies.

The second recommendation for future research is to formulate management and mitigation strategies for an offshore oil and gas company in the GoG based on the maritime political risk tool. Testing the tool is the last and decisive assessment of the validity thereof as well as providing valuable feedback that may improve the conceptualisation of the actors and actions. Furthermore, it is likely to highlight more criteria that should be included in the different boxes.

This thesis provides a strong foundation, along with the maritime political risk tool to advance the practical use of political risk to improve management and mitigation strategies for the offshore oil and gas industry in the GoG. However, political risk is a

complex and demanding field of study and to make the maritime political risk tool fulfil its potential these recommendations should be implemented.

5.5 Conclusion

Creating this maritime political risk tool has been a more demanding process than expected. Finding adequate, suitable and correct information is a challenge, especially when looking for information from the past year or months. A well-managed system of organising information from a multitude of sources is a necessity. However, the maritime political risk tool is a simple way of organising information in a manner that gives the user an understanding of the nature of the problem. The more knowledgeable one is about a subject, the higher the possibility to forecast probable future scenarios. This maritime political risk tool gives the user the appropriate knowledge to understand the nature of the possible problem and set a foundation for formulating management and mitigation strategies.

The actors and actions in the maritime political risk tool counter this challenge of adequate knowledge by overlapping each other. This means that the same aspect of maritime security is analysed from different perspectives. This is a strength since it creates different scenarios and a deeper understanding of the same issue, i.e. both the maker of the maritime political risk tool and the user are forced to look at potential problems from different perspectives. These different perspectives are starting points to forecast probable futures, and to implement appropriate management and mitigation strategies.

The conclusion is that the maritime political risk tool is a promising tool that can improve management and mitigation strategies. It is based on a strong understanding of political risk theory and transforms it into a practical tool that can help the offshore oil and gas industry to create a more secure maritime environment.

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Appendix A

Location of all ACTUAL and ATTEMPTED attacks[33].

January – December: 2006 – 2010 and January – June 2011.

Locations	**2006**	**2007**	**2008**	**2009**	**2010**	**2011** (Up to June)
SE Asia	72	63	52	44	69	42
Malacca Strait	11	7	2	2	2	
Far East	5	10	11	23	43	15
Indian Sub-Continent	53	30	23	30	28	9
South America	29	21	14	37	40	9
Africa	33	45	115	146	91	45
Somalia	10	31	19	80	139	125
GoG – Benin				1		12
Cameroon	1		2	3	5	
Equatorial Guinea			1			
Ghana	3	1	7	3		2
Ivory Coast	1		3	2	4	1
Liberia		1	1		1	
Nigeria	12	42	40	29	19	6
Togo	**1**		**1**	**2**		
Rest of World	8	12	2	8	4	1
Total of the Year	239	263	293	410	445	266

Adapted from ICC, 2011b: 5-6; ICC, 2011d: 5-6.

[33] Armed or piracy attacks on vessels.

Appendix B

Port and anchorage, with three or more reported incidents

January – December 2010 and January – June 2011.

Country	Location	1.1.2010 - 31.12.2010	1.1.2011 – 30.6.2011
Bangladesh	Chittagong	22	4
Brazil	Vila Do Conde	7	
Cameroon	**Douala**	**4**	
Guinea	Conakry	5	
Haiti	Port Au Prince	5	
India	Visakhapatnam	3	
Indonesia	Dumai	4	4
Indonesia	Jakarta / Tanjung Priok	4	5
Indonesia	Tanjung Pensancingan	3	
Ivory Coast	**Abidjan**	**4**	
Nigeria	**Lagos**	**11**	**3**
Peru	Callao	9	
Philippines	Manila	3	
Singapore Strait	Singapore EOPL Ancorage	3	
Venezuela	Puerto la Cruz	5	
Vietnam	Vung Tau	7	
India	Cochin		4
Benin	**Cotonou**		**11**
Venezuela	Puerto Limon		3
Indonesia	Samarinda		3

Adapted from ICC, 2011b: 11; ICC, 2011d: 10.